

Public Sector Risk Solutions Ltd

Lincolnshire County Council

Risk Management Maturity Audit

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# 1. Introduction

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## 1.1 Background

This report has been prepared in response to a request from the Council's Risk and Insurance Manager, Mandy Knowlton-Rayner dated 23 November 2021, to provide an independent assessment of the maturity of the Council's risk management.

Our approach has been to follow the principles of best practice in risk management as recognised and defined by:-

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The Institute of Risk Management
- The Association of Local Authority Risk Managers (ALARM)

## 1.2 Scope of the Exercise

The review exercise has been carried out by Peter Bristow and peer reviewed by another director of PSRS. It is our normal practice in a project of this nature to include face to face discussions with key stakeholders in the risk management process, at a sample of levels within the authority. However, in view of the ongoing concerns over the Coronavirus pandemic these interviews and discussions have been conducted via Teams Meetings.

The review has focused on the following aspects of the risk management process as defined by HM Treasury in the Treasury Risk Management Assessment Framework, and adapted by the Association of Local Authority Risk Managers (ALARM) in their National Performance Model for Risk Management in the Public Sector:-

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

## 1.3 Objectives of the Exercise

The main objective of this review is to provide you with a clear assessment of the Council's risk management maturity and to deliver a report with an evaluation measured against accepted benchmarks and standards for the public sector. In addition, our report contains specific recommendations in areas where we believe improvements could be made, and suggestions for how they might be achieved.

As part of the output report we have included a suggested list of recommendations to support the Council in achieving continuous improvement of risk management across the organisation

and all service areas, including an approach to collaborative arrangements and partnerships, whatever legal form those arrangements may take.

## 1.4 Conflicts of Interest

We confirm that we do not have any conflicts of interest in undertaking this work for Lincolnshire CC, but we wish to declare a contractual relationship with another company whose services are used by the council.

PSRS does have a contract with Swiss Re to provide technical support to them in writing UK public sector risks, and Swiss Re does currently insure the liability risks of Lincolnshire CC. This relationship is already known to the Council, and we cannot see any conflict of interest here. We would emphasise that in accordance with the confidentiality statement at the beginning of this document, no aspect of this work commissioned by the Council will be disclosed by PSRS to Swiss Re or any other third party.

## 1.5 Acknowledgements

PSRS would like to thank all of the Council employees involved with this review for the time they have spent in talking to the author of this report, and for the unwavering support from the Risk Management and Insurance team in providing an extensive list of supporting documentation.

We hope that our report and recommendations will be helpful to you in further refining risk management at Lincolnshire County Council.



**Peter Bristow Managing Director Peter Bristow Managing Director, Public Sector Risk Solutions Ltd**

## 2. Executive Summary

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### 2.1 Methodology

This report sets out the findings from our independent assessment of the Council's risk management maturity, using a scale of Levels 1 to 5, where 5 represents the highest possible level of maturity. Our approach has been to follow the principles of best practice in risk management as recognised and defined by:-

- The International Standard ISO31000
- The British Standard BS31100:2008

- HM Treasury
- The Institute of Risk Management
- The Association of Local Authority Risk Managers (ALARM)

The scope of the review has looked at each of the seven key components of the risk management process as defined by HM Treasury in the Treasury Risk Management Assessment Framework, and adapted by ALARM in their National Performance Model for Risk Management in the Public Sector.

Evaluation of each of the key components then builds to allows us to assess the overall risk management maturity of the organisation, again using a Scale of 1 to 5 where Level 5 is the highest.

## 2.2 Key Findings

Throughout the review process we have consistently found that the Council's risk management strategy, policy and processes consistently score highly against the criteria set as Best Practice models for both the public sector and commerce and industry. We have focused on applying the risk management performance model developed by the Association of Local Authority Risk Managers (ALARM) as it is the most relevant and appropriate to Lincolnshire County Council.

During the review we have found a number of examples of excellent risk management practice, and we would specifically draw your attention to the following:-

- Effective and enthusiastic leadership and sponsorship of risk management by the Executive, the Corporate Leadership Team (CLT) and Elected Members with Audit, Assurance and Portfolio responsibilities;
- A comprehensive and recently updated Risk Management Strategy with clear messaging on risk appetite and role responsibilities;
- A comprehensive Risk Management and Toolkit available on the Council's intranet, with high quality guidance and templates;
- A three-tier assurance model with additional controls around risk appetite and risk reporting when seeking agreement to key decisions on service delivery
- Engagement with professional bodies such as ALARM at national and regional group levels, and with CIPFA by Chairing the Insurance Editorial Board for the Technical Information Service;
- Evidence of the organisation learning from its own mistakes, and from those of other authorities in order to improve corporate performance.

During the review we noticed that there has been a significant level of internal debate on some aspects of risk management – for example risk appetite, whether a threat could be both a risk and an issue, or only one or the other. This tends to suggest that employees are fully engaged and committed to using the processes and tools in place, and are sufficiently engaged in the process to see how they can best use risk management in their respective service areas.

## 2.3 Assessment of Risk Management Maturity

Our overall assessment of the level of risk management maturity is based upon the scoring of seven aspects of risk management defined in the ALARM National Risk Management Performance Model. On the basis of the evidence provided our conclusions are as follows:-

Component of Risk Management	Assessed Level of Maturity
Leadership & Management	<b>Level 5: Driving the organisation</b>
Strategy & Policy	<b>Level 5: Driving the Organisation</b>
People	<b>Level 4: Embedded and integrated</b>
Processes and Tools	<b>Level 4: Embedded and Integrated</b>
Risk Handling & Assurance	<b>Level 5: Driving the Organisation.</b>
Partnerships, Shared Risks & Resources	<b>Level 3: Working.</b>
Outcomes & Delivery	<b>Level 4: Embedded and integrated.</b>

Our overall assessment is that Lincolnshire CC has achieved **Level 4 Embedded and Integrated** in terms of risk management maturity when evaluated against the ALARM National Risk Management Performance Model.

In terms of how Lincolnshire CC compares with other local authorities, our best estimation is in the top 10%. It is difficult to be more precise than this as the author of this report has worked with many authorities in the area of risk management development over the last thirty years, but certainly not all of them, and those he has worked with have been over a number of years, not all have been in the recent past. Direct comparison is therefore difficult, unless ALARM is prepared to provide a benchmarking exercise across UK local government.

Lincolnshire CC has been the most thorough of the authorities he has experience of, and the risk management strategy and process are the most comprehensive and effective he has seen. Commitment from the top in terms of Executive leadership and support are also exemplary. We are not aware of any local authority achieving an overall assessment of Level 5.

## 2.4 Overall Conclusions and Recommendations

Lincolnshire CC has scored very highly in this review, but we have identified a number of improvements that can be made. However, these all represent fine tuning, rather than step changes. These recommended improvements are set out in the table below:-

Assessment Category	Ref.	Details of Recommendation
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<b>Strategy &amp; Policy</b>	<b>R1</b>	On page 5 of the Risk Management Strategy, the Council could consider adding an additional tab for <b>All Employees</b> just to reinforce the message that every employee has a role in identifying risk and informing line management in order to maximise safety and minimise the possibility of threat incidents arising at all levels.
	<b>R2</b>	On page 7 of the Risk Management Strategy document, we recommend that under the “Key Decisions” heading, reference is made to include details of risk ownership when reporting risks associated with key decisions to the Executive.
	<b>R3</b>	Guidance on Partnership risks should be included in the intranet toolkit. 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; governance, 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 or guidance notes. <b>See also R8</b>
<b>Leadership &amp; Management</b>		No Recommendations
<b>People &amp; Resources</b>	<b>R4</b>	We recommend that the Council develops a corporate risk management training plan to provide targeted and appropriate training to each of the role levels identified in the Risk Management Strategy.
	<b>R5</b>	We recommend that the Council considers making risk management training mandatory for middle managers and above.
	<b>R6</b>	Ensure that all new Elected Members receive risk management training and that those who sit on the Audit Committee receive a more detailed level of training on risk assessment
	<b>R7</b>	Provide a training module on risk assessment for Service Managers (and Senior Managers who require it)
	<b>R8</b>	Consideration should be given to the development of a Partnership risks toolkit or at least a specific Toolkit title which offers a checklist of specific issues to consider when risk assessing partnership or collaborative working options for service delivery. This should be consistent with the guidance on good governance from CIPFA / SOLACE.

<b>Processes and Tools</b>	<b>R9</b>	The Council should consider whether risk reporting should move to a quarterly cycle rather than the current sixmonthly process
	<b>R10</b>	We recommend that the six-monthly reporting of risks and updated risk registers should also include a section on “horizon scanning” to ensure that there is an audit trail of consistent consideration of emerging risks and threats to the organisation.
<b>Risk Handling &amp; Assurance</b>		No Recommendations
<b>Partnerships &amp; Shared Risks</b>	<b>R11</b>	We would recommend that a register is maintained of all partnership arrangement and collaborative working agreements to which the Council is party, perhaps maintained by Internal Audit as they will have a prime role in providing assurance on such arrangements.
<b>Outcomes &amp; Delivery</b>	<b>R12</b>	We recommend that the Council consider developing a risk management dashboard on Sharp Cloud so that risks and any outstanding action points relating to service areas and directorates be clearly and quickly shown together with direction of travel.

We believe that by adopting these recommendations the Council may be able to achieve a Level 5 risk management maturity assessment, although it is equally possible that the scoring will become tougher as risk management practice in the public sector continues to develop.

We would also add that no work has been undertaken on the cost of the risk improvements we recommend, and it is feasible that the Council may find that some of the specific recommendations are not sufficiently cost effective to warrant adoption.

### 3. Approach and Methodology Used

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#### 3.1 Methodology

This report sets out our independent assessment of the Council’s risk management maturity, using a scale of Levels 1 to 5, where 5 represents the highest possible level of maturity. Our approach has been to follow the principles of best practice in risk management as recognised and defined by:-

- The International Standard ISO31000
- The British Standard BS31100:2008
- HM Treasury
- The Institute of Risk Management
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The scope of the review has looked at each of the key components of the risk management process as defined by HM Treasury in the Treasury Risk Management Assessment Framework, and adapted by ALARM in their National Performance Model for Risk Management in the Public Sector:-

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

Evaluation of each of the seven key components then builds to allows us to assess the overall risk management maturity of the organisation, again using a Scale of 1 to 5 where Level 5 is the highest.

The ALARM definitions of each of the five risk management maturity levels are as set out in the table below:-

Maturity Level	Level Description/Definition
1	Risk Management is <b>engaging</b> with the organisation
2	Risk Management is <b>happening</b> within the organisation
3	Risk Management is <b>working</b> for the organisation
4	Risk Management is <b>embedded and integrated</b> within the organisation
5	Risk Management is <b>driving</b> the organisation

### 3.2 Desktop Review of Documentation

This review has included a review of key Lincolnshire CC documentation relating to the risk management strategy and process, and our request for information included the following:-

- The organisation's current Risk Management Policy and Strategy Documentation together with details of internal guidance on risk assessment;
- The current Strategic Risk Register, including action plans and meeting minutes/proposals to improve risk controls;
- The current service level Risk Registers, including examples of action plans/meeting minutes with proposals to improve risk controls;
- Internal guidance and framework for strategic and operational risk assessment
- Internal guidance in respect of significant partnerships and other forms of collaborative arrangement, including strategic delivery partnerships, Local Enterprise Partnerships and outsourced or shared services;

- A list of significant partnership, collaborative arrangements and outsourced or shared services;
- The Council's Business Continuity Policy and Strategy;
- A copy of your Risk Management Training Strategy or Plan;
- Details of the organisational Risk Management Communications Strategy;
- Details of the composition and Terms of Reference for Risk Management Committee and other key groups and committees tasked with Risk Management. Please also provide report lines for each and examples of meeting minutes;
- Examples of risk reporting to Elected Members and Senior Management Team;
- Guidance issued internally on business continuity planning for Council services and requirements of key suppliers or partners;
- Reports for the most recent audits or reviews of Risk Management including relevant extracts from any Internal or External Audit reports;
- Evidence to support that Risk Management is embedded into other relevant processes, for example business planning, internal audit, governance, performance management, evaluation of suppliers, procurement, partnership working or appointment of contractors.
- Copies of Standing Orders and Financial Regulations relating to risk assessment, reporting of asset acquisition/disposal, procurement, use of contractors and evaluation or partners

### 3.3 Discussions with Key Employees/Stakeholders

Microsoft Teams meetings were also conducted with a number of employees within the authority who have an involvement with the risk management processes, in order to gain a better understanding of how risk management works in practice.

An assessment of risk management maturity, even against an established framework for the public sector, does involve an element of subjectivity. This part of the review is to ensure that we sense check findings from the analysis of risk management documentation, and secure a wide view from participants in, and users of, the process in terms of effectiveness and value.

These employees are as follows and, again, we would like to thank them all for their input to this review:-

Employee Name	Role
Andy Gutherson	Executive Director - PLACE
John O'Connor	Head of Service – Education Support
Councillor Sue Rawlins	Chair of Audit Committee
John Monk	Head of Service – Design Services
Ian Reed	Head of Service – Emergency Planning and Business Continuity
Alex Botten	Head of Service - Procurement
David Lynch	Lincs Fire – Area Manager Service Improvement (Risk & Safety)

Andy Fenn	Head of Service – Property Services
Lucy Pledge	Head of Service – Internal Audit & Risk Management
Councillor Mark Whittington	Member Champion on Corporate Risk & Safety Group
Andrew Hancy	Head of Service – Business Support
Heather Sandy	Executive Director – Children’s Services
Mark Baxter	Acting Chief Fire Officer
Debbie Barnes	Chief Executive
Andrew Cookham	Executive Director - Resources
Glen Garrod	Executive Director – Adults & Community Wellbeing
Theo Jarratt	Head of Service – Quality & Information
Mandy KnowltonRayner	Insurance & Risk Lead
Debbie Bowring	Principal Risk Officer

### 3.4 Limitations of the Review

Without wishing to stipulate a long list of caveats, we do need to emphasise that this is essentially a desk-based audit exercise and we are dependent upon the information provided to us in order to compile the output report. We have of course tested and challenged the information provided in order to validate any aspect which did not appear to be accurate or complete, or where we believed that additional detail was necessary.

However, historical data is not necessarily an accurate guide to future risks, or organisational performance in managing them, and we would draw your attention to the following:-

- In compiling the review, reliance has been made on the Council data and documentation provided, and specifically we have only challenged and validated information which appeared to be incomplete, contradictory to other information provided, or where further detail was needed;
- An inherent assumption is that the Council structure, functions and range of services provided will not materially change in the foreseeable future;
- We have assumed that the risk profile of the organisation has remained relatively constant over the last few years except for any specific changes advised to us. On a broader front this study cannot, by its nature, address potential future changes in risk profile, which may generate new risks or threats, or change the future emphasis for risk assessment or risk management focus;
- Risk management process, controls and business continuity measures will usually incur a cost for the organisation. However, although we are mindful of the cost involved in any risk management improvements we may suggest, no calculation of those costs has been undertaken as part of this project;
- With risk assessment, risk forecasting, and risk management, the further into the future we look, the less inherently reliable our assessments become, being susceptible to changes in legislation, technology, political outlook, social behaviours and environment to name but a few influences. Our inclusion of any recommendations for improvement measures in this exercise is therefore limited to include developments which are already well known in the public domain.

# 4. Evaluation of Risk Management Maturity

## 4.1 Strategy and Policy

### Scope

Key question	What does this include?
<i>Are there clear strategies and policies for risk?</i>	The Council's strategies and policies for risk management, including risk appetite. Evidence of a risk management framework, a clear direction for scope of risk management and priorities. Requirements of the organisation for risk management as part of overall approach to governance.

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### Findings

#### *The RM Strategy*

The Council has had a Risk Management Strategy in place for a number of years was recently updated in April 2022. At the time of writing this report the revised Strategy was awaiting final agreement, but we understand that it is now in force. The document is clear, well written 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 in line with our risk appetite and the successful delivery of the outcomes of our Corporate Plan, which sets out four priorities.....”*

The Strategy is therefore geared towards supporting the Council in achieving its Corporate Plan objectives and helping to achieve organisational excellence.

The key aims of the LCC Strategy are clearly defined as:-

- To “set the tone” from the top on the level of risk we are prepared to accept for individual services;
- Continue to understand our risk appetite with senior leaders incorporating the different risk categories and acknowledging that how LCC thinks about risk will be different depending upon the context of corporate impact and sensitivity;

- Acknowledging that even with good risk management and best endeavours things can go wrong. Where this happens we use the lessons learned to try and prevent it 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.
- Further strengthen how risks are controlled and measured – being more accountable and with measurable indicators;
- Ensuring our approach to risk management is proportionate to the decision being made.
- Effective and flexible reporting and monitoring with board/executive intelligence on the key risks facing the Council;
- Good practice tools and training to support management of risk which is applied consistently throughout the Council;
- Keep abreast of best practice throughout the industry – including the external review of our risk management practices.

On page 3 there is emphasis on the intention for the strategy to encourage “well measured ethical risk taking” where it is likely to lead to sustainable improvements in service delivery, and clear reference to the strategy supporting both the management of threats and the taking of opportunities.

The document also articulates the risk appetite of the Council as “creative and risk aware”, whilst making it clear that this may be different when an individual service is considered and where the nature of that service is more sensitive or business critical. The strategy requires that any initiative or service that works on a basis outside of the corporate risk appetite then this must be reported and monitored via the appropriate Executive Director. This ensures that the whole risk management approach is sufficiently flexible in order to remain fit for purpose across a range of diverse services.

The role and responsibilities of tiers of management are clearly set out on page 5, including the role of Members, CLT, Directorates, Internal Audit, Audit Committee and Risk and Safety Groups. It may be worth adding here an additional tab for all employees just to reinforce the message that every employee has a role in identifying risk and informing line management in order to maximise safety and minimise the possibility of threat incidents arising at all levels.

### ***Good practice tools and Risk Management Support***

The Strategy is supported by a comprehensive and user-friendly Risk Management Guide, toolkit, checklists and templates, available to employees via Sharepoint, and the newly launched Insurance and Risk Hub. The contents include, amongst others:-



- Introduction to the risk management cycle and process;
- Risk management guidelines and activity checklists;
- Assurance Framework;
- Risk Appetite;
- Wheel of Control;
- Risk Matrix for use in risk assessment;
- Glossary of terms, and
- How to Control Risks.

The various 'Tools' attached address specific areas of risk management, including the key area of Partnerships (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, with the launch of the Insurance and Risk Hub

We believe that the combination of the Strategy Documents and the supporting tools and guidance are consistent with current best practice, and they establish a very robust platform from which to continue the integration and embedding of risk management across the Council.

We note that the intention is for these documents to be supportive of risk management within Directorates rather than be prescriptive. From our discussion with key stakeholders, and indeed this is reflected in the Strategy documents itself, there is the ability to work within the framework whilst allowing some latitude for 'local' interpretation at individual service level. 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 Risk Management team if required.

The Strategy document also highlights the availability of e-learning modules for both strategic and operational risks and the availability of technical support from the LCC Risk management team if required.

### **Conclusion and scope for further refinement**

We consider that the new Risk Strategy is an excellent document and evidence that there are clear risk strategies and policies in place to drive organisational excellence. It is clear, sets out organisational risk appetite, is sufficiently flexible to allow for application to individual and diverse service areas, is supportive and clearly sets out the objective to encourage and empower well managed risk taking to support the objectives of the Council's Corporate Plan.

There is also acceptance that sometimes, even with the best risk management practice in place, things can still go wrong. This is important in the context of empowering managers to look for innovative service delivery models and ensure that a "blame culture" does not hinder organisational performance.

In conclusion, our assessment is that Lincolnshire CC has achieved the highest level of progress towards risk management strategy and policy maturity:

**Level 5: Driving the Organisation**

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Ref	Details of recommendation
R1	We would suggest two minor points in relation to the revised Risk Management Strategy document. Firstly, that on page 5 there is reference made to the role to be played by All Employees employee in identifying and reporting risks, and on page 7 under the “Key Decisions” heading reference is made to include risk ownership when reporting risks associated with key decisions to the Executive.
R2	On page 7 of the Risk Management Strategy document we recommend that under the “Key Decisions” heading reference is made to include risk ownership when reporting risks associated with key decisions to the Executive. As service delivery models become more dependent upon partners, contractors or joint venture agreements, it is necessary to be able to identify where the ownership and control of significant risks lies. Both recommendations <b>R1</b> and <b>R2</b> are however very minor points and if the current version of the strategy has now been approved then these could wait until the next revision of the document.
R3	Guidance on Partnership risks should be included in the intranet toolkit. 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; governance, 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 or guidance notes. <b>See also R8</b>

4.2 Leadership and Management

**Scope**

Key question	What does this include?
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*Do senior management and the Executive Board support and promote risk management?*

Clear leadership and direction from the very top level of the organisation. The extent to which Leadership uses risk management to achieve better outcomes, sets risk appetite criteria, encourages innovation, ensures clear accountability for risk management drives improvements in risk management and uses principles of good governance to manage risks.

## Findings

It is evident that the Chief Executive and Corporate Leadership Team are actively driving the corporate approach to risk. A common view expressed during our interviews with stakeholders was that CLT always gave time and attention to risk issues and that it was never a problem for managers to secure CLT time for discussion and resolution of risk issues.

The Chief Executive and CLT have actively sought to establish risk management training throughout the organisation and there are two e-Learning modules now in place. One for Strategic risk management and one for operational risk management. The risk appetite of the Council has been established as “Creative and Aware” but our enquiries established that this was flexible at service level. This is an important consideration as some services are subject to strict requirements and processes which require risk appetite to be more cautious in these environments. All interviewed felt that the Leadership actively supported service level judgements on risk and risk appetite and this is evidence of a mature risk management culture where managers are trusted to make the right decision for their area of operation.

The Chief Executive and the CLT have established a clear structure for risk management, from Directorate Risk and Safety Groups through to the Corporate Risk and Safety Group who report into CLT. There is also a clear and regular process for risk reporting within this structure, although all interviewed in this review process were keen to emphasise that risk issues could be escalated to CLT outside of this process at any time if there was a need to do so.

There is clear evidence that the organisation engages with other organisations and shares risk experiences with a view towards continuous improvement. Examples here are involvement with regional groups such as the East Midlands Risk Management Group and CIPFA. The Council’s Insurance and Risk Lead is also the Chair of the CIPFA Tisonline Insurance Editorial Board which will give the Council an insight into risk and insurance issues raised by a wide range of other public sector organisations, and the Best Practice for addressing them. There is also evidence that individual service areas are actively looking to learn from the experiences of other organisations. Specific examples here were quoted as Nottinghamshire CC breach of financial regulations in relation to property transactions, and Cambridgeshire CC breach of the public procurement legislation. Incidents are included in Directorate Risk Management updates in order that Lincolnshire makes better decisions.

There appears to be a 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 were particularly impressed by the

objectivity of the Procurement function where it was clear that the focus is on “outcome” rather than “process”, which is unfortunately not the case with many public sector organisations. Procurement were keen to emphasise that the choice of tender process and criteria used were driven by the nature of the procurement and the objective of securing the best deal for the Council, rather than the common risk averse approach of using process and criteria which are least likely to attract a challenge from a disaffected potential supplier.

Internal Audit have a dynamic risk-based audit plan which is always reviewed mid-year to give the team an opportunity to re-focus on changing priorities. The Audit Committee has an active role in the risk management process, providing assurance that risks are appropriately managed and that risk management processes remain fit for purpose.

The quality of the Council’s risk management documentation provided to us as part of this review has been exemplary. In particular, the recently revised RM Strategy document, and by the work undertaken in order to develop 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 the Risk Management vision ...

***‘The strategy seeks to encourage well-measured ethical risk taking where it is likely to lead to sustainable improvements in service delivery to the people of Lincolnshire. It is there to support both the management of threats and the taking of opportunities’***

In our experience few similar organisations have such a well-developed approach to understanding risk appetite and making the direct link between well measured risk taking and organisational performance.

High level commitment to embedding a risk aware culture is clearly evidenced by a range of documents and working practices, for example:-

- A clear framework for Risk Governance and Assurance, with recent review of the Risk Management Strategy produced in March 2022;
- Revised terms of reference for the Corporate Risk and Safety Group and Directorate Risk and Safety Groups published on 3 March 2022;
- 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 CLT accountability for the risk environment setting of the Council’s risk appetite.
- The status of, and extent of engagement with, the Council’s Head of Internal Audit and Risk Management and the Audit Committee;
- A willingness to subject the Council’s risk management framework to independent review and assessment, and to continue to strive for continuous improvement in risk management practice;

- A statement in the Risk Management Strategy that all key decisions presented to the Executive must clearly show the key risks associated with the recommendation, the potential impact and how they will be managed.
- The requirement that where the Council undertakes operations or initiatives outside of agreed appetite this must be reported and monitored via the appropriate Executive Director.

**Conclusion and scope for further refinement**

**Level 5: driving the organisation**

Ref	Details of recommendation
	None

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4.3 People and Resources

**Scope**

Key Question	What does this include?
<i>Are people equipped and supported to manage risk well?</i>	Establishing a risk aware culture rather than than a risk averse culture in the organisation. Clear allocation of responsibility to specific role levels, Arrangements to ensure appropriate risk management awareness, knowledge experience, skills and tools for Elected Members, Executive, senior managers and staff.

**Findings**

***Risk management roles***

The Risk Management Strategy, revised in March 2022, sets out a clear statement on page 4 of the Council’s approach to risk, corporate risk appetite and, on page 5, a table to confirm where the responsibility for delivery sits within the organisation:-

Role	Responsibility
Leadership	Executive and Corporate Leadership Team
Escalation	Audit Committee
Oversight & Co-ordination	Risk & Safety Groups (Corporate and Directorate)
Ownership	Directorates and Services
Assurance	Elected Members/Management/Corporate functions/third parties and Internal Audit

We would agree with this apportionment of roles and responsibilities and the clarity will support the Council's strategy of being creative and open to all potential service delivery options within a framework of well measured and ethical risk taking.

A number of stakeholders we spoke to during the review commented that the development of risk management strategy in recent years has led to a greater awareness of risk and a higher level of consistency in managing risk across the organisation. However, a number of people did indicate that there were differences within the organisation on the subject of risk taking. It was felt that there was sufficient flexibility in the risk appetite to allow for the differences in legal requirements and levels of assurance for individual service areas, but several individuals commented that some officers and members are clearly more risk averse than others.

This will probably always be the case. Inevitably there is a degree of subjectivity in risk assessment, and individuals will often have a different view on what constitutes acceptable risk taking. A number of individuals commented that the organisation as a whole is moving in the right direction from historically being very risk averse to being receptive to well managed risk taking in order to secure improvements in service delivery. This is a broad indication that the Council's risk management strategy is working and that the culture is becoming more creative and innovative. However, we believe that in order to maintain momentum there is a need for more risk training across the organisation and we will look at this in detail in the next section.

During the interviews we held with stakeholders there was a consistent comment that the support provided by the Risk Management Team was of a very high standard and was greatly valued. Everyone we spoke to believed that the balance of the service was right – support and guidance was available whenever required, but there was no “unnecessary” contact. The quality of the documentation we have been provided with supports the comments made.

### **Risk management training**

The Council has developed two e-learning modules, one for strategic risk management and one for operational risk management, as well as training for Elected Members. Specific training needs for staff and elected members are identified through the normal process of individuals' performance review and personal development plans.

We understand that risk management is mentioned in induction training for new employees, but there is no significant content included. We feel that as a minimum the Council's risk management strategy should be referred to and attendees referred to the e-Learning modules available on the intranet.

The e-Learning modules for strategic and operational risk management are both excellent in terms of content and presentation. Both are available on the intranet and are included on the Management Essentials list for middle managers upwards. However, although there has been a high level of take-up on a voluntary basis, due to workload pressures on managers, training is not compulsory. Health and Safety training is in contrast mandatory.

A number of stakeholders mentioned a need for more risk assessment training and potentially some guidance on the risk assessment of partnerships and/or collaborative service provision, particularly on the subject of governance risks. This should also extend to provide some guidance on the award of major service/works contracts as Lincolnshire County Council appears to be shifting more towards a role as a commissioning body rather than a direct provider of services.

Risk management training has been provided for elected members, but is not set up as a regular training module to capture newly elected members, or to build a better awareness of risk through an ongoing training or development programme over time. Unless this is addressed the Council is likely to find that Elected Members without the training to understand the organisation's risk management strategy and processes will have a completely different view on risk to officers.

It is also important that Elected Members who sit on the Audit Committee receive a more detailed training on risk management generally and risk assessment specifically, in order to deliver a robust assurance model for the organisation.

All of these findings lead us to the conclusion that whilst the Council has produced some excellent training material, a risk management training plan needs to be developed with specific training modules aimed at each of the role levels articulated on page 5 of the Risk Management Strategy document.

### **Risk Communication**

In order to be effective, each role level described on page 5 of the Risk Management Strategy document need the appropriate tools and information to enable them to fulfil their responsibilities. For example, the Services and Directorates need Service and Directorate level risk registers in place and a process for reporting them to CLT and Internal Audit. Major projects and contracts will require their own risk registers which identify key risks of each service delivery option, risk assessment, control measures and risk ownership.

The structure in place is extremely comprehensive with services having risk registers, which feed into directorate risk registers, which in turn feed into the Council’s strategic risk register.

We understand that Directorates review their risk registers as and when risks change, but at six monthly intervals as a minimum. There is however the flexibility for services or directorates to report emerging or changing risk issues upwards to CLT as and when there is a need to do so. Internal Audit also has a dynamic risk-based Audit Plan which assesses service on a Red/Amber/Green basis and is reviewed at mid-year to allow a re-focus of audit activity if needed. We believe that quarterly reviews would be more appropriate, but the communication system seems to work well at Lincolnshire so we would not advocate change to this process, unless the Council sees the need to do so.

**Conclusion and scope for further refinement**

**Level 4: embedded and integrated**

Ref	Details of recommendation
R4	We recommend that the Council develops a corporate risk management training plan to provide targeted and appropriate training to each of the role levels identified in the Risk Management Strategy.
R5	We recommend that the Council considers making risk management training mandatory for middle managers and above.
R6	Ensure that all new Elected Members receive risk management training and that those who sit on the Audit Committee receive a more detailed level of training on risk assessment
R7	Provide a training module on risk assessment for Service Managers (and Senior Managers who require it)
R8	Consideration should be given to the development of a Partnership risks toolkit or at least a specific Toolkit title which offers a checklist of specific issues to consider when risk assessing partnership or collaborative working options for service delivery. This should be consistent with the guidance on good governance from CIPFA / SOLACE. PSRS can provide you with an example checklist if that would assist the Council.



## 4.4 Processes & Tools

### Scope

Key question	What does this include?
<i>Does the organisation have effective risk management processes to support the business</i>	To be truly integrated and embedded, risk management should fit seamlessly with other key business processes such as policy making, performance management, governance, and financial management. Do risk processes support a “lessons learned” culture and is there effective business continuity planning in place to support service delivery. The application of a formal framework for identifying and articulating risk appetite and risk assessment is an important component.

### Findings

#### Documentation

The Council has clearly spent time in defining the organisational risk appetite and this has been articulated in the risk management strategy, together with the acceptance that service areas need to have the flexibility to adopt a more cautious approach where necessary. Terms of Reference for the Corporate and Directorate Risk and Safety Groups have been revised in March 2022 and at the time of this review are with the respective groups for consultation and adoption. We find that the corporate risk appetite, together with express agreement that appetite can be adjusted by individual services as required, is clearly communicated and designed to fit with the wide range of activities that the council is engaged in. The review process is also evidence that the Council is aware that periodically it will be necessary to update the approach to risk management and the processes for risk management in order to ensure they remain “fit for purpose”.

Risk registers are clear and simple in design. We would normally expect to see more detail, for example in relation to individual risk ownership, but the format is consistent at all levels and clearly works for the authority. There is a defined process for risk reporting at service, directorate and corporate levels and reporting is currently based upon a six-monthly cycle, although the option exists to report new risks, adverse risk development or updated risk information on an “as and when required” basis if needed. An extremely positive comment that cropped up frequently during the review interviews was that CLT was always receptive to risk related items for meeting agendas, and managers felt that CLT was supportive in addressing risk issues.

We would normally suggest that risk reporting should be undertaken on a quarterly basis. However, in view of the overwhelming evidence that the current six-monthly process, supported by ad-hoc reporting where necessary, is working for Lincolnshire we would not suggest “fixing something that isn’t broken”, but recommend that the Council bears this in mind when the risk management processes are next reviewed.

What does appear to be missing in the risk registers or risk information is any formal process for “Horizon Scanning” to highlight the potential for future risks due to changes in legislation, social behaviours, claims trends or technological development. Whilst the Council is clearly not ignoring these issues and, for example, reacted to the changes in the provision of the Schools Improvement Service in advance of the legislation being introduced, there does not appear to be any formal or consistent process for this. Ideally, each six-monthly risk register report should have a section on horizon scanning to flag up any risks which may impact on the organisation in the foreseeable future due to legislative or social changes. Even if individual reports often show a “none identified” statement.

Agendas and Minutes for Corporate and Directorate Risk and Safety Groups are drawn up and circulated, and examples we have seen evidence that Action Points are followed up.

### **Business processes**

During the interviews we conducted with Lincolnshire CC employees we found ample evidence that risk management is a seamless part of day to day processes and service delivery. For example, the whole procurement process for goods and services appears to be risk based, in that the choice of tender procedure and need to qualify suitable potential tenders is determined by the nature of the procurement and the desired outcome. The whole process is outcome driven rather than process driven in order to minimise the risk of challenge to a contract award.

Supply chains in relation to major contracts are evaluated during the procurement stage and there is also a practice of reviewing the business continuity plans of shortlisted tenderers for major contracts.

The recent Covid pandemic was raised a number of times during interviews as evidence of how risk management was integrated into business processes. CLT requested risk information within two weeks of the start of the pandemic and instigated new working practices across all service areas to minimise risks and maintain service delivery extremely quickly.

Elected Members are engaged in the risk management process with Portfolio Holders being kept informed of service risks and risk registers. Portfolio Holders have a close relationship with service areas and contact with them on a daily basis. Risk controls are discussed with them, and they are involved in discussions over the introduction of new risk controls.

One benefit of the risk management strategy and process in place that was mentioned by a number of individuals was that it had enabled a high level of consistency in risk assessment and management across the whole authority, and the adoption of a common risk management terminology.

### **Business Continuity**

The Council maintains corporate business continuity plans (BCPs) to ISO22301:2019 standard, and all service areas have their own service specific business continuity plans in place, using template documents provided by the Central Business Continuity Team. This delivers a high degree of consistency in format and content across the organisation. The central Business Continuity Team are all qualified to BSI standards and are available to assist service areas with

development of their individual BCPs. All service BCPs are submitted to the central Business Continuity Team for testing and inclusion in Emergency Planning.

All BCPs are subject to a continuous three-year cycle of review and updating, and Internal Audit provide assurance on the Business Continuity function. Any BCP trigger event will generate an investigation and review exercise, and any lessons learned will be incorporated into all BCPs where relevant. Action points are monitored to ensure they are carried out.

The BCP processes in place all appear to be robust and there is ample evidence to support that they are linked to corporate and service risks and are fit for purpose. The corporate BCPs are currently being reviewed to incorporate lessons learned during the Covid pandemic and the introduction of home and hybrid working by the organisation.

**Conclusion and scope for further refinement**

**Level 4: Embedded and Integrated**

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Ref	Details of recommendation
R9	The Council should consider whether risk reporting should move to a quarterly cycle rather than the current six-monthly process
R10	We recommend that the six-monthly reporting of risks and updated risk registers should also include a section on “horizon scanning” to ensure that there is an audit trail of consistent consideration of emerging risks and threats to the organisation.

4.5 Risk Handling and Assurance

**Scope**

Key question	What does this include?
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*Are risks handled well, and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?*

Considered risk taking, supporting innovation, the quality of risk handling and risk management performance and assurance arrangements for risk management. This is about day to day reality, and specifically about the extent to which risks are handled well and the organisation has assurance that risk management is delivering successful outcomes and supporting creative risk taking.

## Findings

### *Risk governance structure*

The Council's **Risk Governance** structure and role level responsibilities are set out clearly in the Risk Management Strategy and in the Toolkit, along with a graphic which explains the assurance framework.

- The **Executive and Corporate Leadership Team** have ultimate accountability for the risk environment, and are responsible for approving and reviewing 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 Council's risk management arrangements, challenging risk information and escalating issues to the CLT/Executive where appropriate;
- The Corporate and Directorate **Risk & Safety Groups** are responsible for the facilitation and co-ordination of risk management activity across the Council;
- **Directorates & Services** are the "risk-takers" and are responsible for identifying, assessing, measuring, monitoring and reporting significant risks associated with their functions or activities which are documented in the service, directorate and strategic risk registers;
- **Elected Members/Management/Corporate functions/third parties and Internal Audit** as part of the Councils Combined Assurance model, give assurance on the management of risks and the operation/performance of controls.

### *Combined Assurance Model*

The organisation has applied an Assurance Framework for each function of the Council, with three lines of defence:-

- Business Operations – the first level of control is the individual business operation which performs day-to-day risk management activity
- Oversight Functions – oversight functions in the organisation such as finance, HR and Risk Management set internal standards and direction, define policy and provide a second level of assurance

- Independent Assurance - Internal and external audit and other independent assurance providers offer a third line of defence and independent challenge to the levels of assurance provided by business operations and oversight functions

### *Assurance delivered*

We find that the Council has an extremely robust and effective control environment in place to reinforce a very comprehensive and well-structured risk management framework. The directorates and services are very well supported by the Council's Risk Team who provide any technical support required by managers, either with the process itself, or with individual risk issues. And this can also be viewed as part of the assurance process as it ensures that individual service areas are applying the same process and criteria required by the organisation as a whole. The quality of that support was commented on by the majority of those we interviewed during the review process, and several mentioned that the balance of support was excellent – there when needed, but not too intrusive!

The Council clearly understand that there will always be a need to review and improve risk management processes to ensure that they remain fit for purpose in a changing operational environment. This is evidenced by the updating of the Risk Management Strategy document and revised Terms of Reference for the Corporate and Directorate Risk & Safety Groups in March 2022.

There are also three further points we would like to make specific reference to, which are not particularly innovative when considered individually, but which collectively evidence the Council's commitment to integrate risk management into processes which deliver tangible benefits in service delivery. Firstly, the Strategy allows individual services to deviate from the corporate risk appetite where it is appropriate for services to do so, but requires that this is reported to, and monitored by, the appropriate Executive Director. Secondly, a formal risk register must be produced on the new Risk Management system "Sharp Cloud" for all strategic risks, key projects and programmes including those on the Transformation programme, and new service projects that have a greater impact on people, finance and the Council. And thirdly, all key decisions that are referred to the Executive must clearly show the key risks associated with that decision recommended, the potential impact on the service/organisation and how these will be managed.

### *Supporting creative risk taking*

From the documentation we have been provided with in the review there is no evidence of a focus purely on the 'down-side' of risk. We have observed a commitment to identify "opportunities" by consideration of all options for service delivery, and to adopt the option that will provide the best service for the residents of Lincolnshire. There is an expressed and well documented commitment to take well-managed and ethical risks in order to deliver that outcome.

It is also evident that the Council is an organisation that learns from experience and we have seen evidence, for example in the case of the replacement of the Serco contract, where services are commissioned differently in order to improve service performance. It is evident that the risk management processes at Lincolnshire are contributing directly to the Council's performance as an innovative and high-performing organisation. **Conclusion and scope for further refinement Level 5: Driving the Organisation.**

Ref	Details of recommendation
	None

## 4.6 Partnerships and Shared Risks

### Scope

Key Question	What does this include?
<i>Are there effective arrangements for managing risks with partners?</i>	Mechanisms for identifying, assessing risks in each key partnership, appropriate mechanisms for identifying and addressing the implications of sharing the risks amongst those best placed to manage them. 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.

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### Findings

During the review process it was mentioned to us several times that Lincolnshire CC is adopting the role of a “commissioning body” more than it is developing partnerships or collaborative working arrangements. Nevertheless, we believe that partnership arrangements and collaborative working represent service delivery options that are too significant to be ignored in terms of a risk management approach. And very often partnerships and collaborative arrangements throw up a set of risks associated, for example, with governance which are not experienced under commissioning arrangements.

Effective arrangements for managing risks with partners are underpinned by three factors:

- Knowledge of the partnership arrangements the Council is involved in, and
- Understanding of the governance arrangements in place
- As with any service delivery model, understanding the key risks associated with the arrangement, who owns and manages those risks, and the risk management controls in place.

Ideally, we would also recommend that a register is maintained of all partnership arrangement and collaborative working agreements, perhaps maintained by Internal Audit as they will have a prime role in providing assurance on such arrangements used by the Council .This is perhaps similar in context to keeping a register of all Officers and Members who are nominated to serve as directors or committee members on outside bodies to represent the interests of the Council. The register serves as a central record of all such arrangements that the Council is party to, and ensures that such activities receive the appropriate level of audit and assurance.

To conform to best practice (as originally set out in the CIPFA Better Governance Forum Risk Management Guidance Note No 11 – Partnership Risk Management) we advocate an approach that incorporates the two main ways to view a partnership, firstly from the perspective of the Council as a participant (particularly as Accountable Body), and secondly from the perspective of the partnership as a whole.

**Partnership Risks Training**

During our interviews with stakeholders it was found that that a number of individuals felt that an element of training on partnership risks would be useful, and none were aware of any toolkit available on the intranet.

There is certainly no need to reinvent the wheel here. The Council already has template risk registers and risk assessment guidance available to all service areas and directorates via Sharp Cloud, and there is no reason why the same reporting forms cannot be used for partnerships and collaborative working arrangements. The two fundamental differences are that firstly there are governance arrangements which will differ from those in a direct service model, or a commissioning or contractual service model, and secondly there needs to be more focus on which party to the arrangement is responsible for managing the individual risks identified, and ensuring that parties to the partnership are clear on where those responsibilities lie.

We believe, therefore, that what is needed is a set of guidance notes on the governance risks associated with partnerships and collaborative working which can be added to the Tools available to services and directorates. A checklist may suffice to ensure that all risks have been assessed before decisions are taken on whether to enter into an arrangement or to pursue an alternative method of service delivery. PSRS can provide you with an example if that would be helpful to the Council. This has already been addressed under Section 4.3 – See R8.

**Conclusion and scope for further refinement Level**

**3: Working.**

Ref	Details of recommendation
R11	We would recommend that a register is maintained of all partnership arrangement and collaborative working agreements to which the Council is party, perhaps maintained by Internal Audit as they will have a prime role in providing assurance on such arrangements.

## 4.7 Outcomes and Delivery

### Scope

Key question	What does this include?
<i>Does risk management contribute to achieving outcomes?</i>	Can we show that the Council is using risk management to help deliver change, successful outcomes, and a contribution to improving the reputation of the organisation? Is risk management contributing to organisational performance and specific outcomes? Such evidence serves to highlight examples of good practice and innovative approaches to managing a wide range of threats and opportunities.

### Findings

From the discussions we held with stakeholders as part of this review it is clear that the risk management practice in place at Lincolnshire is widely valued as a useful business tool and is regarded as one of the key skills required of the Council's managers. In the majority of cases we found a genuine enthusiasm for risk management, and even where in a very few cases people felt that it could slow down the decision-taking process, there was acceptance that the discipline led to better quality decisions. Consistency of approach, a better understanding of risks and controls, and the adoption of a common "vocabulary" around risk and opportunity were also cited as benefits generated from the current risk management approach.

We have found no level of dissent or disagreement that risk management contributes to better quality decisions and outcomes and all levels of management appear equally supportive. All stakeholders we spoke to displayed a willingness to contribute to the ongoing process of integration and embedding risk management into business processes. In fact, many of the conversations we had involved ideas from stakeholders for improving the process, including the development of a risk management dashboard on Sharp Cloud to make risk information quicker, and easier, to interpret.

It is difficult to give specific examples of positive examples where risk management has been the sole factor in making a positive impact on service delivery. It is possible that some of the positive change could have been generated irrespective of the degree of risk management maturity. However, we believe that it is no coincidence that Lincolnshire CC is a well performing authority with a significant and successful transformation programme underway, and also has a risk management strategy and processes that are amongst the very best in the UK public sector.

For example, we can point to the Council having identified mental health and "burn out" as a key factor affecting employee recruitment and retention leading to the Council's adoption of the "Wellbeing Initiative". During the Covid lockdown periods Lincolnshire CC was unusual in that no children's homes were closed. This was because the Council identified the issue early in the Covid period and trained additional social workers so that cover could be maintained. The



Council moved from an arrangement of using CfBT to LLPB for provision of the Schools Improvement Service in advance of the government changing the rules to require changes in the way that the service was delivered. This put Lincolnshire ahead of the curve in terms of re-structuring the service and avoided cost and disruption in changing the service at a later date.

One measurable benefit that clearly demonstrates the value of the Council’s risk management strategy and processes is manifested by the stability in the pricing of it’s liability risks. The Council tendered for insurance cover in 2016 and due to the quality of the risk management strategy and processes, together with a commitment to self-insure attritional level claims, the Council secured a number of benefits not realised by the majority of other local authorities.

- The highest number of insurer responses in terms of viable bidders that Lincolnshire had ever seen;
- Significant financial savings in premium costs (despite the increase in Insurance Premium Tax);
- The first UK public sector organisation where the insurer Swiss Re was prepared to quote for all liability risks, and
- Swiss Re was prepared to offer a three-year fixed price contract with an option to extend the fixed price term further

As a result of this tender, the liability risks were placed with Swiss Re and this led to the Council’s insurance premiums being fixed for what will be a seven year period when the contract expires on 31 March 2023. During this period insurance premiums for local authorities have been steadily increasing and Lincolnshire CC has been the only UK local authority to avoid **any** price increases over this period. This cover placement led to a submission being made to ALARM which resulted in the Council’s Insurance & Risk Lead receiving the Risk Professional of the Year award in 2016. **Conclusion and scope for further refinement Level 4: embedded and integrated.**

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Ref	Details of recommendation
R12	We recommend that the Council consider developing a risk management dashboard on Sharp Cloud so that risks and any outstanding action points relating to service areas and directorates be clearly and quickly shown together with direction of travel.

## 5. Limitations of the Audit Exercise

Without wishing to stipulate a long list of caveats, we do need to emphasise that this is essentially a desk-based audit exercise and we have been dependent upon the information provided to us in order to compile the output report. Where we have felt it necessary, we have of course challenged and cross checked the information provided to us, and sought additional information where we believe it was necessary.

However, historical data is not necessarily an accurate guide to future risks, or organisational performance in managing them, and we would draw your attention to the following:-

- In compiling the review, reliance has been made on the Council data and documentation provided, and information provided to us during interviews with the stakeholders listed in section 3.3 of this report.
- An inherent assumption is that the Council structure, functions and range of services provided will not materially change in the foreseeable future, unless of course we have been advised otherwise;
- We have assumed that the risk profile of the organisation has remained relatively constant over the last few years except for any specific changes advised to us. On a broader front this study cannot, by its nature, address potential future changes in risk profile, which may generate new risks or threats, or change the future emphasis for risk assessment or risk management focus;
- Risk management controls, processes and business continuity measures will usually incur a cost for the organisation. The majority of the additional processes and controls we have proposed, have a clearly low cost compared to the impact that the risk subject to those controls could have on the organisation. However, no calculation of those costs has been undertaken as part of this project;
- With risk assessment and risk forecasting, the further into the future we look, the less inherently reliable assessments become, being susceptible to changes in legislation, technology, political outlook, social behaviours and environment to name but a few influences. Our inclusion of any horizon risk assessment by the organisation in this exercise is therefore limited to include developments which are already well known in the public domain;

## 6. Conclusions and Risk Improvement Plan

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## 6.1 Key Findings

Throughout the review process we have consistently found that the Council's risk management strategy, policy and processes consistently score highly against the criteria set as Best Practice models for both the public sector and commerce and industry. We have focused on applying the risk management performance model developed by the Association of Local Authority Risk Managers (ALARM) as it is the most relevant and appropriate to Lincolnshire County Council.

During the review we have found a number of examples of excellent risk management practice, and we would specifically draw your attention to the following:-

- Effective and enthusiastic leadership and sponsorship of risk management by the Executive, CLT and Elected Members with Audit, Assurance and Portfolio responsibilities;
- A comprehensive and recently updated Risk Management Strategy with clear messaging on risk appetite and role responsibilities;
- A comprehensive Risk Management and Toolkit available on the Council's intranet, with high quality guidance and templates;
- A three-tier assurance model with additional controls around risk appetite and risk reporting when seeking agreement to key decisions on service delivery
- Engagement with professional bodies such as ALARM at national and regional group levels, and with CIPFA by Chairing the Insurance Editorial Board for the Technical Information Service;
- Evidence of the organisation learning from its own mistakes, and from those of other authorities, in order to improve corporate performance.

During the review we noticed that there has been a significant level of internal debate on some aspects of risk management – for example risk appetite, whether a threat could be both a risk and an issue, or only one or the other. This tends to suggest that employees are and committed to using the processes and tools in place, and are sufficiently engaged in the process to see how they can best use risk management in their respective service areas.

## 6.2 Scoring against individual Assessment Criteria

Our overall assessment of the level of risk management maturity is based upon the scoring of seven aspects of risk management defined in the ALARM

National Risk Management Performance Model. On the basis of the evidence provided our conclusions are as follows:-

Component of Risk Management	Assessed Level of Maturity
Leadership & Management	<b>Level 5: Driving the organisation</b>
Strategy & Policy	<b>Level 5: Driving the Organisation</b>
People	<b>Level 4: Embedded and integrated</b>
Processes and Tools	<b>Level 4: Embedded and Integrated</b>
Risk Handling & Assurance	<b>Level 5: Driving the Organisation.</b>
Partnerships, Shared Risks & Resources	<b>Level 3: Working.</b>
Outcomes & Delivery	<b>Level 4: Embedded and integrated.</b>

Our overall assessment is that Lincolnshire CC has achieved **Level 4 Embedded and Integrated** in terms of risk management maturity when evaluated against the ALARM National Risk Management Performance Model.

In terms of how Lincolnshire CC compares with other local authorities, our best estimation is in the top 10%. It is difficult to be more precise than this as the author of this report has worked with many authorities in terms of risk management development, but certainly not all of them, and those he has worked with have been over a number of years, not all in the last one or two years.

Lincolnshire CC has been the most thorough of the authorities he has experience of, and the risk management strategy and process are the most comprehensive and effective he has seen. Commitment from the top in terms of Executive leadership and support are also exemplary. We are not aware of any local authority achieving an overall assessment of Level 5.

### 6.3 Recommended Risk Improvements (Risk Management Improvement Plan)

As good as the scoring is for the risk management at Lincolnshire CC, we have identified a number of improvements that can be made. However, these all represent fine tuning, rather than step changes. These recommended improvements are set out in the table below:-

Assessment Category	Ref.	Details of Recommendation
Strategy & Policy	R1	On page 5 of the Risk Management Strategy, the Council could consider adding an additional tab for <b>All Employees</b> just to reinforce the message that every employee has a role in identifying risk and informing line management in order to maximise safety and minimise the possibility of threat incidents arising at all levels.
	R2	On page 7 of the Risk Management Strategy document, we recommend that under the “Key Decisions” heading, reference is made to include details of risk ownership when reporting risks associated with key decisions to the Executive.
	R3	Guidance on Partnership risks should be included in the intranet toolkit. 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; governance, 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 or guidance notes. <b>See also R8</b>
Leadership & Management		No Recommendations
People & Resources	R4	We recommend that the Council develops a corporate risk management training plan to provide targeted and appropriate training to each of the role levels identified in the Risk Management Strategy.
	R5	We recommend that the Council considers making risk management training mandatory for middle managers and above.
	R6	Ensure that all new Elected Members receive risk management training and that those who sit on the Audit Committee receive a more detailed level of training on risk assessment

	<b>R7</b>	Provide a training module on risk assessment for Service Managers (and Senior Managers who require it)
	<b>R8</b>	Consideration should be given to the development of a Partnership risks toolkit or at least a specific Toolkit title which offers a checklist of specific issues to consider when risk assessing partnership or collaborative working options for service delivery. This should be consistent with the guidance on good governance from CIPFA / SOLACE. PSRS can provide the Council with an example checklist if required.
<b>Processes and Tools</b>	<b>R9</b>	The Council should consider whether risk reporting should move to a quarterly cycle rather than the current six-monthly process
	<b>R10</b>	We recommend that the six-monthly reporting of risks and updated risk registers should also include a section on “horizon scanning” to ensure that there is an audit trail of consistent consideration of emerging risks and threats to the organisation.
<b>Risk Handling &amp; Assurance</b>		No Recommendations
<b>Partnerships &amp; Shared Risks</b>	<b>R11</b>	We would recommend that a register is maintained of all partnership arrangement and collaborative working agreements to which the Council is party, perhaps maintained by Internal Audit as they will have a prime role in providing assurance on such arrangements.
<b>Outcomes &amp; Delivery</b>	<b>R12</b>	We recommend that the Council consider developing a risk management dashboard on Sharp Cloud so that risks and any outstanding action points relating to service areas and directorates be clearly and quickly shown together with direction of travel.

We believe that by adopting these recommendations the Council may be able to achieve a Level 5 risk management maturity assessment, although it is equally possible that the scoring will become tougher as risk management practice in the public sector continues to develop.

We would also add that no work has been undertaken on the cost of the risk improvements we recommend, and it is feasible that the Council may find that some of the specific recommendations are not sufficiently cost effective to warrant adoption.