Risk Management Health Check Report
Lewes and Eastbourne Councils

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Workforce Strategies – Team 3

Zurich Risk Engineering UK

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Introduction & Methodology

Zurich have been commissioned by Lewes and Eastbourne Councils to review the effectiveness of the organisations' risk management arrangements. In order to measure the maturity of risk management, a performance model has been used which breaks down risk management activity into six categories that contribute towards effective risk management arrangements within an organisation:

Leadership & Management	Do senior management and Members support and promote risk management?
Strategy & Policy	Are there clear strategies and policies for risk?
People & Training	Are your people equipped and supported to manage risk well?
Processes & Tools	Do the risk management processes support the business effectively?
Risk Handling & Assurance	Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk-taking?
Partnership, Shared Risks & Projects	Are there effective arrangements for managing risks with partners and in projects?

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

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

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

Executive Summary

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It is evident that the councils recognise the importance of risk management, which is particularly pertinent in view of recent local political change, and the current general political climate (Brexit). Investment has been given to implementing toolkits and systems to support the risk management process. As part of this review we were provided with the following key documents: Strategic Risk Registers; Risk management Strategies; Committee Terms of Reference; Project management Toolkit. To provide context to the documentation provided we undertook a series of interviews, either face to face or via conference call. We would like to express thanks to these individuals for their time and views. Those who took part are included in Appendix 1.

We have identified a number of recommendations to enhance the existing organisational risk management framework, to drive value from the process and help to inform decision making at all levels of the organisation. It will be vital for senior management to champion these recommendations, to drive the risk maturity of the organisation forwards.

Although some of the baseline assessments may appear low in places, there is evidence that improvements are relatively easy to implement and would see higher maturity levels being easily attained if the current momentum and desire for engaging and embedding risk management is continued and supported.

There are six priority areas for improvement:

1. Appoint acknowledged risk management 'owner' to lead the process

2. Align risk strategy and framework across both councils and relaunch

3. CMT and Member risk awareness session

4. Raise profile of risk management generally across authorities

5. More proactive risk identification and horizon scanning through all levels

6. Clearer understanding of acceptable risk appetite

The following pages provide further detail around our conclusions together with recommendations for improvement.

Observations & Recommendations

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Leadership & Management

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

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

Through the interviews undertaken it was apparent that the importance of risk management is understood at senior level and that processes have improved over the last two-three years. There have been some recent local political changes; therefore it would be beneficial to facilitate a training and awareness session for Members and Senior Managers. It is felt that CMT may not always drive risk management downwards, due to time constraints and other priorities. Appointing an acknowledged risk 'manager' or 'owner' would assist this.

The risk appetites of the two councils differ, which could impact risk based decisions. A better understanding of the similarities and gaps would help in the identification and management of strategic risks, especially as it is necessary to maintain two strategic risk registers.

To progress along the risk maturity scale in this area L&E should consider the following:

1. **Allocate resource to risk management who will own and champion the process. Develop a clearer understanding of the councils' risk appetites (which may differ). Comparison of the two could affect risk identification and treatment.**
2. **Hold facilitated workshop for CMT and Members to refresh understanding of roles and responsibilities.**

Strategy & Policy

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

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

Documentation is generally somewhat fragmented and does not reflect the current joint working arrangements. An overarching framework which applies across the councils should be produced. This framework should clearly set out the policy, including strategic aims and objectives with regard to risk management; methodology for managing risk; and a strategy.

There are at present two separate strategies; the plan internally is to rewrite into one strategy aligned across both councils.

Risk communication should ideally be both upwards and downwards; the revised framework should emphasise the importance of escalation and wider communication.

This updated framework should be relaunched to all staff, to reinforce the importance of risk management and establish roles and responsibilities.

The following should be considered:

4. **Update the risk management framework aligned across both authorities, which includes policy, strategy and methodology.**

Observations & Recommendations

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Processes & Tools

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

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

The Pentana system is used council-wide to record risks and produce reports. It is possible that the reporting function could be used more effectively (perhaps to wider stakeholders). Previously, service level risk registers were held on the system but were not maintained and eventually removed altogether. This has left a gap where it seems that Heads of Service are not recording risks (outside projects). This means that risks may be being missed or not escalated where necessary.

There is a focus on project risk management and a good project risk management toolkit is in place, which is embedded, widely used and regularly updated. However, it would be beneficial to capture wider risks, particularly cross-service. This does happen in a somewhat ad-hoc way; a more regular and formal process could be embedded as part of the revised methodology (see Strategy and Policy).

The following should be considered:

5. **Review the reporting opportunities of the Pentana system.**
6. **Ensure that risks other than project risks are being identified and escalated.**

Risk Handling & Assurance

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

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

The strategic risk registers are deliberately high level. While this is acceptable, there is a possibility that risks are not being identified and/or escalated when necessary. Managers below CMT do not have regular sight of the strategic risk registers, so may be unaware of high-level risk decisions which could impact their areas; similarly which they could contribute to.

Theme Plans include risk management consideration but this may have become a 'tick box' exercise. Resource could be allocated to offer challenge outside the current annual review process. More widely, it is possible that risk-based decisions are not being offered enough objective challenge, especially with larger projects where the risk appetite is greater.

The following should be considered:

7. **Implement a vehicle for Heads of Service to identify and escalate risks affecting their area. The recently formed Senior Managers' Forum could be an ideal opportunity for this.**
8. **Offer more frequent challenge to risk management considerations in Theme Plans.**
9. **Use Internal Audit team more often as a 'critical friend' to offer an objective view and where necessary.**

Observations & Recommendations

People & Training

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

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

Generally it is believed that staff have reasonably good levels of knowledge. There is no formal training programme in place; it is not felt that one would be beneficial, although there may be pockets of staff with lower levels of risk management expertise and capabilities. A general refresh and 'light touch' workshops would help, perhaps as part of the framework refresh. (These could also be used as an opportunity to capture service-specific risks).

The culture across the authorities is more open and honest than previously and people would not be deterred from talking about risk.

Newer Members could benefit from refresher training.

Considerations include:

10. **Interactive training workshops across all levels.**

11. **Risk management refresher training for Members (especially newer ones).**

Partnerships, Shared Risks & Projects

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

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

During the interviews, the processes for managing risks within contracts and partnerships was discussed.

From a risk management perspective, it important to understand how risk is to be managed within such arrangements and how the risk governance and reporting aspects feed back into the organisation.

Whilst interviewees provided some level of assurance that risks were well understood and managed, particularly within projects, it was clear that a structured framework and methodology for managing and reporting risks in contracts and partnerships was not consistently in place and is something that the organisation should consider. It is felt that some areas manage this better than others.

Areas for further consideration are:

12. **Contract risk management training and awareness, with a view to identifying strategically important contracts and associated risks**

13. **Robust and consistent governance framework including entrance and exit strategies**

Strengths & Development Areas

Key Strength(s):

- ✓ Recognition of the importance of risk management

- ✓ Internal resources with knowledge and capacity to undertake improvements

- ✓ Open and honest culture

- ✓ Robust project risk management processes

- ✓ Regular reporting and performance indicators

Areas to focus development:

- ▪ Allocation of resource acknowledged as risk champion

- ▪ Refresher training and awareness sessions

- ▪ Widen focus away from projects to capture other potential risks

- ▪ Understand risk appetite comparisons and gaps

- ▪ Produce overarching risk management framework

Appendix 1 – List of Interviewees

Name	Role
Chris Earp	Performance Specialist
Jo Harper	Head of Business Planning and Performance
Homira Javadi	Chief Finance Officer
Millie McDevitt	Performance and Programmes Lead
Jackie Humphrey	Chief Internal Auditor

Appendix 2 – Summary of Recommendations

Section	Recommendation
Leadership & Management	1. Allocate resource to risk ownership who will own and champion the process.
	2. Develop a clearer understanding of the councils' risk appetites (which may differ). Comparison of the two could affect risk identification and treatment.
	3. Hold facilitated workshop for CMT and Members to refresh understanding of roles and responsibilities.
Strategy & Policy	4. Update the current strategies into one document aligned across both authorities, with any necessary supporting framework and processes.
Processes & Tools	4. Consider whether current systems could be integrated further; or if processes could be more automated.
Risk Handling & Assurance	5. Ensure key service risks are being captured, documented and escalated.
	6. Implement a forum for risk discussion at service level
People & Training	10. Interactive training workshops across all levels.
	11. Risk management refresher training for Members (especially newer ones).
Partnerships & Shared Services	12. Contract risk management training and awareness, with a view to identifying strategically important contracts and associated risks
	13. Robust and consistent governance framework including entrance and exit strategies