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Risk Management Health Check Review

North West Leicestershire Council



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1. Introduction

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

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

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

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

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

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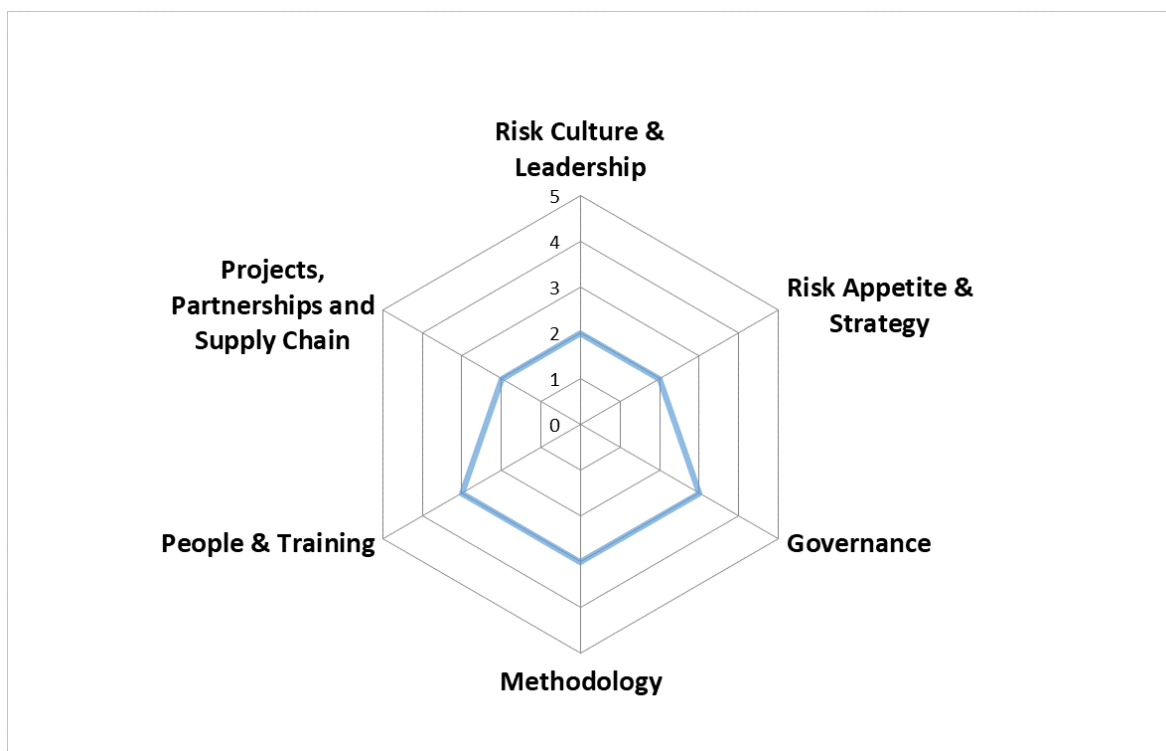
2. Executive summary

Overall, North West Leicestershire District Council's risk management framework has the potential to form the basis of a robust risk management approach. There are several features which demonstrate good governance and best practice is understood and being conducted within specific departments to manage operational risk. There is, however, limited evidence to support that risk is embedded across the entire organisation and being used as a business tool to drive strategic decision making and to monitor the current and relevant threats to the council.

North West Leicestershire could significantly improve its maturity rating by implementing the improvement recommendations identified within this report. Of most value would be to concentrate on developing strategic risk management. By ensuring the process engages key stakeholders and captures relevant threats. A greater level of accountability will be established whilst ensuring that risk management supports and informs decision making.

To measure the maturity of risk management, a performance model has been used which breaks down activity into six categories that contribute towards effective risk management arrangements within an organisation. It is worth noting, given the complexity of services provided and the resources often available to support risk management within the public sector, a good score is considered at level 3, Managed, whilst most local authorities would be judged to be level 2, In Development.

Figure 1.



The above figure indicates where North West Leicestershire is judged to be based on this review.

Included below are a short summary of key aspects of risk management which have been identified as part of the health check process. Further detail is explored in each section in the report:

Positives observed:

- Clear governance and framework in place with best practice features,
- The establishment of a Risk Scrutiny Group,
- Good people who are experienced and practicing risk management within specific services,
- An appetite and willingness to learn and improve risk management practices,
- A positive and refreshed outlook on risk from a newly formed management team.

Development opportunities:

- Review and update the corporate register with the new leadership team to develop a dynamic risk register that informs decision making,
- Re-energise the Risk Scrutiny Group so that they can champion and embed risk at an operational level,
- Establish and embed a clearer relationship between operational and strategic risk management to ensure there are no gaps and that there's clear strategic direction,
- Ensure that accessible and regular training is on offer so that risk is included as part of business-as-usual processes not just perceived to be a separate and remote process done by select individuals.

3. Observations and recommendations

3.1. Risk Culture and Leadership

This section considers the attitude of senior officers and members towards the role and priority of risk management.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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Assessing the risk culture and leadership style at North West Leicestershire was challenging due to the number of new and interim positions held within the leadership team. Due to leadership changes, it is recognised and appreciated that there is a limit to how well established the tone at the top can be.

Despite some being new into the organisation, all interviewee's recognised and acknowledged the importance of risk to strategic decision making. It was assuring to hear that risk is intended to play central role in future updates to the Council's strategy and long-term planning. Utilising best practice, drawing on experience and engaging staff will be critical for ensuring that such intentions are achieved.

As part of future change, it is also recommended that risk is managed at a lower level in the organisation and is sponsored by a Director and championed by all of the leadership team. Having the risk approach facilitated by a Director can put limitations on the amount of resource which can be allocated to the process. As a result, there was evidence to suggest that due to the structure and resource challenges, risk is not as visible at the top table as it should be. There was limited evidence to show that corporate risks were regularly reviewed across the leadership team thus suggesting that the process is not viewed as a tool to support decision making. Although it is in no doubt that risks are considered within leadership discussions, it doesn't appear that the formalised risk management approach is used to document, assess, and monitor such conversations and decisions.

Beyond corporate risks it is also vitally important for any organisation to have a robust process around operational risks. There was some confidence that individual service areas and departments are quietly getting on and managing specific risks themselves. It was assuring to hear that due to experienced and well-trained people, significant threats within service areas would be escalated if necessary and that tools such as risk registers are being maintained. Although people championing good practice is vital for a mature risk culture, an over reliance on key individual's rather than an effective process has been developed.

What was also not clear, was the connection between corporate and operational risk. This can result in limited oversight of the risk profile of the organisation and an increased chance of critical risks being missed or escalated too late. In some areas, people assumed that risk management was a separate process managed by key individuals and thus were found to have let risk management lapse. In the absence of a culture of shared accountability, it appears that services have been left to their own devices and at a strategic level the risk management process has been a tick box exercise.



Recommendations:

1. Review the strategic risk register with the new leadership team in a risk identification workshop to ensure that the document is reflective of the current challenges and concerns facing the organisation
2. Consider standardising risk management templates and guidance to support departments in assessing their risks, especially if resource is too stretched to dedicate to assessing and updating operational risk registers

3.2. Risk Appetite and Strategy

This section assesses the extent to which the policies for risk management support the organisation and how the appetite or risk is considered and utilised.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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The purpose of a risk management strategy is to communicate why and how risk management will be implemented throughout the organisation, and to set out the purpose and direction of risk management activities. It should strive to accomplish uniformity across the risk management process and remove any ambiguity about the overall risk capacity, appetite, and tolerance levels.

Overall, North West Leicestershire's Risk Management Policy can best be described as traditional. It articulates the intention of the organisation with regards to risk management but doesn't read like a live document that has been reviewed in light of key risk events such as Brexit, Covid-19 and inflation or takes into consideration the future risk horizon in relation to public sector challenges.

The policy sets out roles and responsibilities, the risk management cycle, and the benefits of risk management in a concise and clear manner, however fundamental aspects of the risk strategy such as an updated risk appetite statement and tolerance levels have not been reviewed since 2020.

Based on the discussions with interviewees, it is apparent that the organisation will be facing new and varying challenges in 2023 onwards and therefore will require a revised risk appetite to support the strategic planning and decision-making process. Although the policy sets out tolerance levels and includes RAG ratings on the risk matrix, a more nuanced approach to risk through the use of risk categories and updated measurements will support risk assessments both at a corporate level and within individual departments.

Through the discussions which were held, it was also difficult to know whether the processes and framework described in the policy were reflective of the current practices and understanding of individuals. Best practice such as the use of the templates in the appendix and regular scoring assessments using the matrix did not appear to be regularly and consistently used to the knowledge of those that were interviewed.



Recommendations:

3. Review and update the organisation's risk management policy and strategy so it reflects currently challenges on the public sector.
4. Build up the understanding and knowledge around risk appetite, before reviewing current tolerance levels with the new leadership team. This exercise should be done in relation to the corporate strategy planning process.
5. Encorproate annual reviews of the strategy and appetite into the reporting cycle. Regualr and often will reduce any resource implications.

3.3 Governance

We review the assurance provided to stakeholders, the effectiveness of reporting arrangements and how risk is managed within service areas.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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Governance was one of the highest scoring areas in the assessment, largely down the foundations which are already in place. The council has a clear governance structure which states that risks should be discussed at the Corporate Risk Scrutiny Group, reviewed by CLT and presented to the Audit and Governance Committee on a regular reporting cycle.

It was refreshing to hear that there is a Risk Scrutiny Group in place to assess both corporate and escalating operational risk as well as act as Champions, especially considering the resource challenges surrounding risk. However, the regularity of the group's meetings and the levels of engagement by members indicated that the Group may not be as effective as it should be nor is it utilised efficiently. Reigniting the group will be essential for bridging the gap between operational and corporate risk, exercises such as horizon scanning and giving assurances to the CLT, but this requires commitment, routine meetings that are taken seriously and a consistent understanding of the group's role and purpose.

From a member's perspective, there appears to be a willingness to review and challenge risk within forums such as the Audit and Governance Committee. This can be demonstrated by the organisation's engagement with Zurich and their request for external training for members. Maintaining the understanding and implementing learning into discussions will be key for improving their knowledge and confidence.

To be considered at a higher maturity level, these discussions need to be consistent in their review, with members clear of their roles and responsibilities to ensure risk is reviewed not only as its own element, but alongside other processes such as performance.



Recommendations:

6. Re-establish the Risk Scrutiny Group by assessing membership, terms of references, aims and objectives.
7. Plan regular annual risk management training sessions to maintain and evolve member's understanding of risk management.

3.4 Methodology

This section considers what processes and tools are in place to aid risk management and whether they are effective.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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The methodology assessment was a challenging area to review and conclude the score. There are several positive elements and tools in place to support risk management, but the extent to which they are consistently used across the organisation was brought into question.

In the policy is stated that the council utilises a risk management system. There is uncertainty around the quality of risk information which is stored in the system at an operational level, demonstrating there are inconsistencies between each team and area.

On review, the templates included in the risk policy appendix are clear and structure key risk information in an accessible way. The extent to which these templates are used and embedded into processes is also uncertain. More information about how these templates were promoted across the organisation and used would be helpful to establish a more informed judgement.

Risk descriptions included in the corporate risk register are broadly well detailed and comprehensive with controls articulated. It was accepted that risks do remain on registers for long periods of time and actions are not always identified. This is apparent in the content of the Corporate Risk Register as it appears that many of the risks are inherent to operating in the public sector, rather than specific risks which are of a current concern to the organisation. In these instances, it is hard to develop a dynamic risk register which drives value to the leadership team and moves away from a traditional and stagnated risk register.

To be considered for the next level of maturity, there needs to be evidence across all services that risk identification and management is consistently utilised to support all key decision-making, the Corporate Risk Register is a live and active document and that tools such as the risk management system and templates are consistently used.



Recommendations:

8. Consider a corporate/strategic risk workshop for the newly established leadership team to develop a sense of ownership and accountability as well as create engagement and awareness.
9. Consider running similar risk identification workshops with services to reinvigorate the register content; particular attention should be given to actions against individual risks or use the Risk Management Group to champion best practice and review operational risk registers.

3.5 People and Training

This section of the health check explores the level of risk management expertise and capability across the organisation.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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As part of the ongoing engagement and support provided by Zurich; Risk Management Training Sessions with the leadership team have been conducted throughout 2022. A high rate of attendance was experienced at each of these sessions which demonstrated that training was valued. Maintaining the momentum of the training to further develop confidence and consistency within service areas will be key.

Due to the capacity challenges, development of online resources, eLearning packages and utilisation of best practice organisations such as ALARM could be a way of maintaining consistency and up to date risk management knowledge.

Despite risk management training being offered to Heads of Service and Directors, there's still a great degree of uncertainty regarding the knowledge of individual officers who are managing operational risk. There appears an ambition to empower risk management throughout the organisation however there is little evidence to support that this is something which is in place. Risk Registers at department level appear inconsistent in their application and use, often being updated on occasions or as part of annual service planning exercises. There was evidence of inconsistencies in the way risk assessments are undertaken and documented.

A way to develop a more embedded and organisation wide risk culture is to provide regular and accessible training and information to all staff. The development of a toolkit or additional risk guidance which sits separate to the risk management policy may encourage more regular risk review activities.



Recommendations:

10. Incorporate risk management training into regular annual training plans for Service Managers, Heads of Service and Directors.
11. Maintain regular training options for operational staff and members to continue delivering clear and consistent messaging.
12. Consider developing additional training material outside of face to face training to ensure risk is embedded and regularly considered.

3.6 Projects, Partners, and Supply Chain

In this section I look at the effective controls in place to manage risks with partners / suppliers and in projects.

Level 1 Fragmented	Level 2 In Development	Level 3 Managed	Level 4 Integrated	Level 5 Transformational
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The Council has a cautious approach to risk in commercial partnerships. It was generally accepted that the council is risk adverse due to a range of factors. With a number of leadership changes over the past couple of years, it was also recognised that drastic or risky decisions have not been on the agenda, especially when entering into commercial or public sector partnerships.

In each interview it was recognised that there will be a need to work in a more intelligent and strategic way in order to manage the future financial challenges, work with key suppliers and promote opportunities through partnership agreements. In order to achieve this ambition risk management needs to be built into the decision-making process, specifically, the use of risk appetite. A more clearly defined risk appetite will also support the organisations agility and increase the confidence commercial partners has in the council.

Interviewees provided some level of assurance that risks were well understood and managed by partners, but it was clear that a structured framework was not in place and something that the council should consider. The development of a specific process with supporting guidance to create some consistency across the organisation regarding risk project management would be beneficial. Much like operational risk, it can be assumed that there is a reliance on individual's experience, training, and separate governance processes to make risk-based decisions regarding large projects and programmes of work as that information does not get reported centrally through the risk management process.

Assurance was given that risks within projects are largely managed effectively but the level of support from a central function was not clear. This again can be contributed to the limited resource capacity in the organisation. with increasing support and involvement of the Risk and Insurance function within projects, however this approach remains in its infancy and capacity dictates it isn't possible to be involved in all projects. To aid progression, 3rd party risks should be shared and considered by project management boards where appropriate.



Recommendations:

13. Develop guidance for managing risks within partners and projects which should then be referenced within the risk management policy.
14. Undertake further work to understand the common/shared risks within partnerships. Maintain joint risk registers with key partners to monitor key issues.
15. Cross-reference with People and Training re: roles and responsibilities for nominated risk champions.
16. Consider commercial risk appetite as a defined category for the council during subsequent review work.

4 Appendices

4.1 Recommendations Summary

Risk Culture and Leadership	<ol style="list-style-type: none"> 1. Review the strategic risk register with the new leadership team in a risk identification workshop to ensure that the document is reflective of the current challenges and concerns facing the organisation 2. Consider standardising risk management templates and guidance to support departments in assessing their risks, especially if resource is too stretched to dedicate to assessing and updating operational risk registers
Risk Appetite and Strategy	<ol style="list-style-type: none"> 3. Review and update the organisation's risk management policy and strategy so it reflects currently challenges on the public sector. 4. Build up the understanding and knowledge around risk appetite, before reviewing current tolerance levels with the new leadership team. This exercise should be done in relation to the corporate strategy planning process. 5. Encorproate annual reviews of the strategy and appetite into the reporting cycle. Regualr and often will reduce any resource implications.
Governance	<ol style="list-style-type: none"> 6. Re-establish the Risk Scrutiny Group by assessing membership, terms of references, aims and objectives. 7. Plan regular annual risk management training sessions to maintain and evolve member's understanding of risk management.
Methodology	<ol style="list-style-type: none"> 8. Consider a corporate/strategic risk workshop for the newly established leadership team to develop a sense of ownership and accountability as well as create engagement and awareness. 9. Consider running similar risk identification workshops with services to reinvigorate the register content; particular attention should be given to actions against individual risks or use the Risk Management Group to champion best practice and review opeational risk registers.
People and Training	<ol style="list-style-type: none"> 10. Incorporate risk management training into regular annual training plans for Service Managers, Heads of Service and Directors. 11. Maintain regular training options for operational staff and members to continue delivering clear and consistent messaging. 12. Consider developing additional training material outside of face to face training to ensure risk is embedded and regularly considered.
Project, Partners, and Supply Chain	<ol style="list-style-type: none"> 13. Develop guidance for managing risks within partners and projects which should then be referenced within the risk management policy. 14. Undertake further work to understand the common/shared risks within partnerships. Maintain joint risk registers with key partners to monitor key issues. 15. Cross-reference with People and Training re: roles and responsibilities for nominated risk champions. 16. Consider commercial risk appetite as a defined category for the council during subsequent review work.

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4.2 Maturity Assessment

	Risk Culture & Leadership	Risk Appetite & Strategy	Governance	Methodology	People & Training	Projects, Partnerships & Supply Chain
Level 5 Transformational	Risk Management is actively championed by the CEO, Senior management and Members. There is a strong consideration of risk in all decision making processes	Risk appetite is reviewed at least annually and is taken into account in key decision points including day-to-day operational, as well as strategic, decisions	There is active oversight of risk management from Members and senior management	Management of risk and uncertainty is well integrated with all key business processes and shown to be a key driver in business success	Staff are empowered to be responsible for risk management and the organisation has a good record of well managed risk taking	Risk management is a collaborative activity amongst all parties and shown to be a key driver in success delivery
Level 4 Integrated	Senior Management & Members constructively challenge risk information and consider risk within decision making processes	The organisation has formalised its risk appetite and statements exist for each principal risk category for practical use at key decision points	Governance arrangements are effective and aligned with other processes within the organisation	Risk management processes are used to support key business processes and service delivery	Suitable guidance is available and a training programme has been implemented to ensure the continuation of risk management capability	Sound governance frameworks are established in these areas and common risk goals are identified amongst all parties
Level 3 Managed	Senior management & Members take the lead to apply risk management across the organisation and a register of key strategic risks is maintained	The concepts of risk appetite and tolerance are understood and utilised by senior management when discussing strategic risks	Formal reporting and assurance arrangements for risk management exist which are delivering value to the organisation and are consistently applied	Risk management processes are established and effective but are not being applied consistently across the organisation	A core group of people have the skills, knowledge and capacity to manage risk effectively and implement the risk framework across the organisation	Risk Managed in these areas is effective, appropriately resourced
Level 2 In Development	Senior management & Members are actively building the organisation's risk culture and a senior level 'risk champion' has been appointed	Risk Management strategies & policies are drawn up, communicated and being acted upon but Risk Appetite is not a concept actively used within the organisation, even if it is mentioned within the policy / strategy	Reporting and assurance exist but are currently being implemented or require development	Risk management processes exist but are currently being implemented or require development	The organisation is taking steps to increase the capacity and competency of individuals with risk management roles and responsibilities	Approaches for managing risk in these areas exist but are currently being implemented or require development
Level 1 Fragmented	Senior management & Members are aware of the need to manage risks	Risk Management is sporadic and unstructured within the organisation	The monitoring and reporting of risks is limited and only done when requested by senior management or Members	No formal process exists for risk management within the organisation	Key people are aware of the need to understand risk principles but there is a skills gap across the organisation	Key people are aware of potential risks factors in these areas

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