MIDDLESBROUGH COUNCIL

AGENDA ITEM 4

CORPORATE AFFAIRS AND AUDIT COMMITTEE

28 July 2016

Risk Management Improvement Plan

Executive Director of Commercial and Corporate Services

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PURPOSE OF THE REPORT

1. To outline proposals to improve the Council's approach to Risk Management.

BACKGROUND

1. In July 2015 Executive approved the implementation of a revised Risk Management Framework. The framework was developed to align with the Council's new Performance Management arrangements, built around Balanced Scorecards.

2. The revised Risk Management Framework for the Council better integrated the identification, mitigation and review of risks within the Council's performance arrangements. It also took some steps to improve the level of internal challenge by ensuring risk registers are considered alongside balanced scorecards when being assessed by senior managers and also by Overview and Scrutiny Board.

Drivers for further improvement work

3. While this addressed some weaknesses within the current approach to risk management, further actions for improvement were identified within the Corporate Peer Review and in an Internal Audit report on Project Management. They are as follows:

   ▪ management should ensure that appropriate risk management processes are put in place in relation to project governance (issues raised were around embedding risk and the process for escalating risks);
   ▪ the approach to risk management requires further development; and
   ▪ establish a link between risk management and insurance to ensure the Council is appropriately insured and insurance claims analysis.

4. These actions have been consolidated into one objective contained within the Council Improvement Plan (CIP), which was agreed by Executive on 10 May 2016:

   ▪ Ensure an approach to risk management that is fit for purpose to ensure that risks are effectively managed by the organisation strategically, operationally and as part of good project and programme management.

5. The actions within the CIP to deliver this objective are:

Objective	Target date
Share information between risk and insurance and reflect the results of the exercise within the Council's approach to risk and the content of the organisation's risk registers.	June 2016
Put in place Risk Registers for levels 1-3 of the performance management system and offer training on the IT system on which they will be located	June 2016
Put in place a Risk Improvement Plan to deliver the required outcomes by rolling out risk registers in line with the Performance Management levels, putting in place training, improving links with insurance and revising supporting documentation.	August 2016

6. The purpose of this report is to provide an update on progress against these actions and set out in detail the proposed content of the Risk Improvement Plan in particular.

7. Since the recommendations were made, monthly meetings are now held between officers for management of Risk and Insurance. Information sharing at these meetings to date has been used to inform a review of existing Risk Register content which has initially completed this action. To ensure it continues to be effectively delivered the Insurance Manager has been included in the membership of a Performance and Risk officer group, established to provide a continuing forum for the discussion of risk and performance issues. The Insurance Manager has committed to sharing insurance trend data with the Corporate Strategy Team along with an analysis of risks in the risk registers to identify which are fully insured, partially insured or not insured. Once completed this will be cascaded down to Risk owners as necessary.

8. Risk Registers have been created for levels 1 to 4 of the performance management system. They have been shared with Management Teams for review. Training on the ICT system used to record and organise risks has been included as part of the Risk Improvement Plan and will be rolled out as part of that plan. This will be in addition to wider training on the risk management discipline.

9. The Risk Improvement Plan, attached at Appendix A, encompasses the above previous actions into one document.

Risk Improvement Plan content

10. The Risk Improvement Plan can be split into three phases:

- Fit for purpose - ensuring data and the ICT system is fit for purpose
- Enabling self-serve - increasing visibility of risk within the organisation
- Embedding a risk management approach within the organisation.

Fit for Purpose

11. A number of actions within this stage have already been completed. The current content was given to Assistant Directors and Heads of Service to review with amendments suggested where appropriate, based on horizon-scanning work to date.

12. Work has been undertaken to re-configure the Risk Management ICT system, Covalent to enable it to produce Risk Register reports for levels 1 to 4 of the organisation.

13. The Risk Management Framework is supported by the Risk Management Toolkit. The toolkit, which has been in place for a number of years, was designed to provide a detailed guide to risk management processes within the Council. As part of the work to date, this has been reviewed. Key changes to the toolkit are that it has been:

- refreshed to better align with the framework;
- streamlined;
- strengthened to improve content on the process that should be followed to ensure risks are appropriately escalated and de-escalated; and
- written in plain English.

14. The updated toolkit is attached to this report at Appendix 1 for consideration. Once approved by LMT it will be converted into an e-learning solution.

Enabling self-serve

15. Access to Covalent will be given to Heads of Service and the Leadership Management Team to enable relevant risk registers to be viewed online in the first instance. This will be done on a phased basis to enable access to be rolled out alongside delivery of training on the system.

16. At the same time refresher training on risk management will be delivered to each Outcome Area Senior Management Team. This training, based on the updated toolkit, will encompass the principles of risk management, the process for escalating and de-escalating risks and corporate processes to be followed.

17. Following receipt of training, Risk Register owners will be given full access to their risks on Covalent. This will enable them to take responsibility for updating risk register content, and initiating escalation and de-escalation of risks.

18. To ensure the corporate Strategy team has capacity to support this, access to Covalent will initially be rolled out to levels 1 to 4.

19. After these Risk Registers have been established, steps will be taken to identify areas where additional, operational risk registers may be required to support service delivery.

20. A similar process for roll out of project risk management is being followed. Risk Registers are embedded within the Programme and Project Management (PPM) Framework and the ICT solution being procured to support programme and project management. Training on risk management is being included as part of a wider package of project management training being delivered to staff who have been identified by senior managers as being programme or project managers.

Embedding Risk Management

21. Centralisation of the recording of business as usual risks on Covalent and programme and project management risks on the PPM ICT solution will be essential if the organisation is to effectively embed risk management.

22. Once these tools are in place, a series of actions are proposed to ensure that risk is embedded. The Corporate Strategy Team will be providing a Quality Assurance function against the content of risk registers held on both ICT systems to provide a judgement on whether escalation processes are being correctly applied and add in an additional layer of challenge over and above that applied via the Balanced Scorecard and PPM processes.

23. In addition to this, the Performance Management and Risk Management officer group, with representation from each of the outcome areas will also quality assure Risk Register entries on a regular basis to consider whether entries are fully capturing the potential impacts of risks.

24. The Internal Audit service will be given full access to the system to enable identification of reviews to be informed by risk register entries. This will also provide a further layer of quality assurance as the service will scrutinise risk entries as part of its review processes.

25. The diagram overleaf describes how risk will be managed by the organisation as a result:
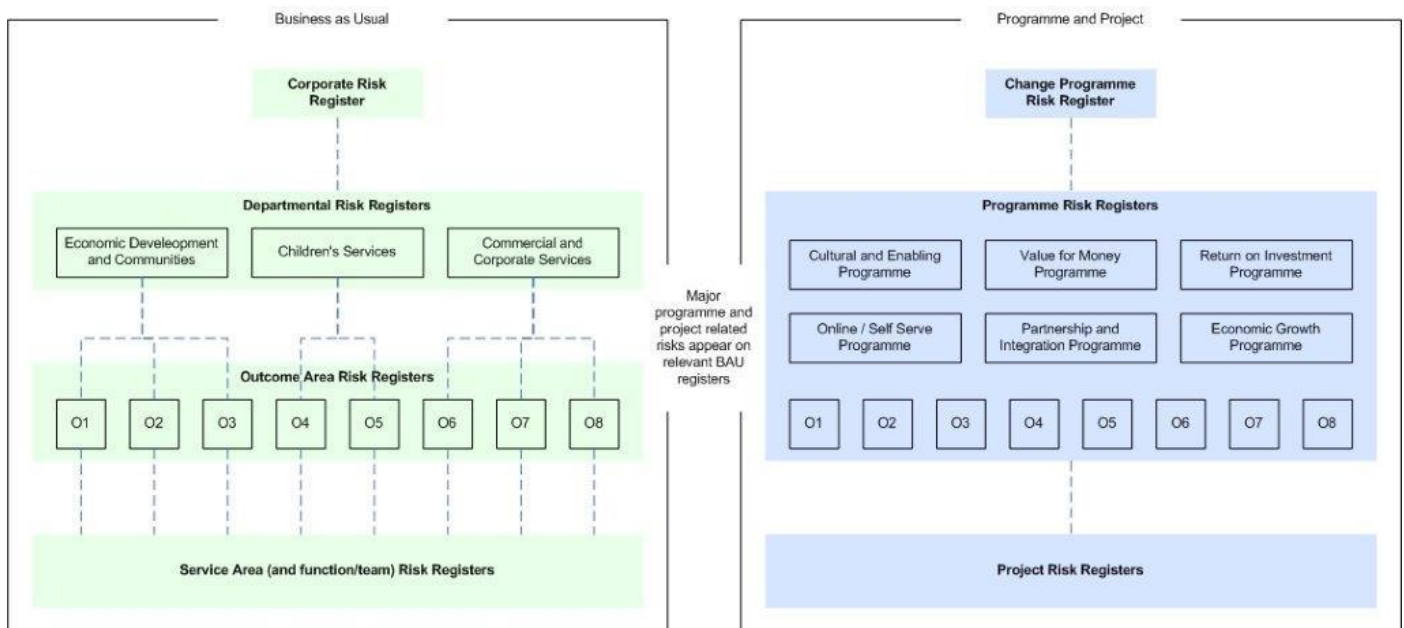
Consultation on the Risk Improvement Plan

26. In order to assess whether the planned improvements to risk will meet the needs of the organisation, consultation has taken place on proposals with:

- Outcome Area Senior Management Teams
- Deloitte – contractors currently reviewing the content of the Council Improvement Plan
- Internal Audit
- Insurance
- Performance Management and Risk Management officer group.

27. Feedback was as follows:

Feedback	Response
Concern was expressed at one SMT that Risk Registers were being updated before refresher training on risk management was completed.	It is acknowledged that some staff are new to the organisation or to senior management and may be less familiar with risk management. This would be accounted for in the updating process and additional support will be provided where required.
To improve access to the new system, investigate whether it could be part of the single sign on process.	Currently being investigated by the supplier and IT.
The toolkit should emphasise that not every risk needs to be captured, just those most applicable. Quality assurance of registers should assess whether there are too many risks identified as well as	Draft toolkit has been revised further to reflect that only risks around achievement of objectives should be captured.

The Risk Improvement Plan has been strengthened to emphasise the quality assurance role of the Performance Management and Risk Management Officer Group. |

looking at quality of risk recording, mitigation plans, escalation etc.	
The e-learning solution needs to be a practical guide to Risk Management as well as a toolkit for the Risk Management recording process.	In addition to the process guide in the toolkit, work will be undertaken with the Workforce Development team to develop a practical risk management teaching tool as part of the overall e-learning course on risk management.
Shared risks need to be captured.	The format of Risk Registers has been amended to enable one risk to sit in more than one register where it is shared e.g. the risk around poor event planning leading to reputational damage to the Council sits with Outcomes 3 and 8. This will require that shared risks are updated collaboratively. As a safeguard changes made by one of the shared owners will result in a notification being sent to the other to ensure visibility of changes.

OPTION APPRAISAL/RISK ASSESSMENT

28. There are a range of options in relation to the recommendations outlined in this report.

Option 1: Status quo – not recommended

29. The Council would fail to effectively respond to the recommendation of the Corporate Peer Review that risk required further development. Failure to effectively manage risk would expose the organisation to greater costs, increase the likelihood of reputational damage and reduce the ability of the Council to achieve its objectives.

Option 2: Alternative approaches – not recommended

30. Alternative models are available however they would require increased resources to be put in place within the Corporate Strategy Team and they would not align with the principles of the Middlesbrough Manager model.

Option 3: Proposed approach – recommended

31. The model proposed will ensure that the Corporate Strategy Team is able to have effective oversight of the Risk Management approach, while effectively empowering managers to own and manage risk, in line with the Middlesbrough Manager model, focussed on empowerment and enabling self-serve.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

32. **Financial implications** – are as follows:

   - Additional licences for Covalent – expansion of Covalent access to LMT, Heads of Service and Business Co-ordinators will require an additional 20 licences will be a maximum of an additional £2880 per annum, plus VAT. It is expected that this will be absorbed by IT.
   - Project in a Box – separately reported and accounted for within reports on the Programme and Project Management Framework.

33. **Legal implications** – Risk management is a key element of corporate governance, and the Council has various legal duties that require the effective management of risk.

34. **Ward Implications** – none at this stage.

RECOMMENDATIONS

35. It is recommended that:

   - the Risk Improvement Plan is supported by the Committee
   - the updated Risk Management toolkit is endorsed and converted into an e-learning solution.

BACKGROUND PAPERS

Executive:

- Corporate Peer Review – final report and draft action plan – 12 March 2016
- Council Improvement Plan – 10 May 2016

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Risk improvement plan

Action	Who	deadline	Status
Phase one – ensuring data and the systems are fit for purpose			
Establish a link between Risk and Insurance – monthly meetings set up to explore required actions	Corp. Strategy Team	**Complete**	Complete
First sift of current actions held on covalent to remove ones which are no longer applicable	Corp. Strategy Team	**20 May**	Complete
First review of risks against the content of the policy tracker / horizon scanning report and presentation	Corp. Strategy Team	**20 May**	Complete
Review the current content of the risks on covalent with insurance to identify potential gaps / risks that require action from an insurance perspective	Corp. Strategy Team and Insurance Manager	**20 May**	Complete
Circulated updated Risk Registers with queries to all outcome areas	Corp. Strategy Team	**23 May**	Complete
Establish a Risk Register for Each outcome area and the head of service level below using the risks already on covalent	Corp. Strategy Team	**31 May**	Complete
Configure Covalent to provide the correct environment for risk register owners to self-serve	Corp. Strategy Team	**10 June**	Complete
Update the Risk Management toolkit to reflect the framework and ensure the risk escalation process is clear	Corp. Strategy Team	**15 June**	Complete
Consult with outcome areas on the proposed Risk Management approach	Corp. Strategy Team	**15 June**	Complete
Consult on the draft toolkit with performance, insurance and internal audit	Corp. Strategy Team	**15 – 20 June**	Complete
Submit an update on Risk Improvement to LMT, include revised toolkit and set out changes made to it	Corp. Strategy Team	**June 2016**	Complete
Creation of an e-learning Risk Management solution	Workforce Development Team	**July 2016**	
Insurance trend data to be shared with the Corporate Strategy Team	Insurance Manager and interim Director	**July 2016**	
Enabling self-serve			
Procure additional licences for ADs and Heads of service to self-serve	Corp. Strategy Team	**30 June**	
Develop risk training for Heads of Service and Assistant Directors	Corp. Strategy Team	**July 2016**	
Risk training embedded within the Programme and Project Framework training course for PPMs	Change Programme Team	**August 2016**	
Deliver training on risk management and Covalent	Corp. Strategy Team	**August 2016**	
Change Covalent access levels post training to enable editing	Corp. Strategy Team	**September 2016**	
Identification and creation of additional Risk Registers (and additional system users) for service areas that require them to support operational risk management	Corp. Strategy Team	**September 2016**	
Roll out of additional training to any additional risk register owners and signposting to e-learning solutions on risk management	Corp. Strategy Team	**November 2016**	

Embedding Risk within the Organisation			
Updated risk registers and mitigation plans now in place. Use and delivery monitored through Balanced Scorecard process and Performance and Risk group	All Assistant Directors	**September 2016**	
Performance and Risk Officer group in place – used as a discussion forum for further risk improvement works	Head of Performance and Partnerships	**June 2016 onwards**	Group established
Risk lead to provide sample QA function of project risk registers	Corp. Strategy Team	**Quarterly from Sept 2016**	
Annual reports to Members on the Corporate Risk Register and the Risk Register process (Audit Committee and Executive)	Corp. Strategy Team	**Sept 2016**	
Internal Audit will be given full access to Covalent to enable the service to consider risk registers and their quality as part of investigations	Corp. Strategy Team	**Sept 2016**	
Develop Risk Management training for Members and deliver it.	Corporate Strategy Team	**Sept 2016**	
Outcome area management teams to ensure operational Risk Registers created were considered on a quarterly basis.	All relevant Assistant Directors	**Quarterly from Dec 2016**	
Sample quality assurance of Risk Registers	Performance and Risk Management Officer Group	**Quarterly from Dec 2016**	
Quality assurance for operational risk registers undertaken to check content and test whether escalation procedures are being correctly applied	Corp. Strategy Team	**Quarterly from Dec 2016**	

Benefits realisation analysis – test whether the improvements have resulted in improved risk management by:
    -    Identification of risks that have turned into issues
    -    Survey risk register owners about their confidence levels
	Corp. Strategy Team	**December 2016**	

Consider whether a further revision to processes is required in light of the benefits realisation review	Corp. Strategy Team	**January 2016**	
Undertake an Internal Audit of the revised processes	Internal Audit	**March 2016**	