

19 July 2012

ITEM 10

Audit Committee**RISK AND OPPORTUNITY MANAGEMENT – BENCHMARKING AND IMPROVEMENT PLAN****Report of:** Andy Owen, Performance and Risk Officer.**Wards and communities affected:**

All.

Key Decision:

Non-key.

Accountable Head of Service: Chris Stephenson, Corporate Performance Manager**Accountable Director:** Graham Farrant, Chief Executive**This report is** a public report.**Purpose of Report:** To note the results of the ALARM/CIPFA Benchmarking exercise and the actions to address the improvement opportunities identified by the review.**EXECUTIVE SUMMARY**

Risk and Opportunity Management (ROM) is recognised as good management practice and is an integral part of the Council's Corporate Governance and Performance Management arrangements.

The report outlines the results of the benchmarking exercise and the actions to address the improvement opportunities identified by the review.

1. RECOMMENDATIONS:

- 1.1 That Audit Committee note results of the benchmarking exercise and the actions contained in Appendix A to address the improvement opportunities identified by the review.

2. INTRODUCTION & BACKGROUND:

- 2.1 Risk and Opportunity Management is an integral part of the Council's Governance and Performance Management arrangements and the Council has a statutory responsibility under the Account and Audit Regulations to put in place arrangements for the management of risks.
- 2.2 The Council undertakes an annual review of its ROM arrangements against the ALARM/CIPFA Risk Management Benchmarking Model (the national model of best practice for risk management). This model is designed to test and compare the Council's performance against:
- . The major risk management standards
 - . The criteria that informs the risk management element of the Annual Governance Statement
 - . Other public services organisation arrangements for ROM

2.3 The benchmarking model resembles the EFQM (European Foundation Excellence Model) approach and breaks down risk management activity into seven strands with five focussed on enablers and two focussed on results:

Enablers criteria for Risk Management

- A. Leadership & Management
- B. Policy & Strategy
- C. People
- D. Partnerships & Resources
- E. Processes

Results criteria for Risk Management

- F. Risk Handling & Assurance
- G. Outcomes & Delivery

3.3 The Enabler section covers what an organisation does and the Results section covers what an organisation achieves. Each strand is covered by a series of questions that are designed to explore where the organisation scores against good practice. The answers to the questions are weighted to reflect their relative impact on performance and collated into a final score for each strand.

3.4 These results are then used to calculate the overall scores for the Enabler and Results sections. Thurrock's scores against the model are shown below:

ENABLERS		Score
A	4/4 LEADERSHIP & MANAGEMENT	62/100
1	✓ Information and decision making	17/32
2	✓ Escalation and reporting systems	10/12
3	✓ Accountability and management responsibility	19/32
4	✓ Leading risk management implementation	16/24
B	2/2 POLICY & STRATEGY	63/100
1	✓ Risk management policy	43/60
2	✓ Strategy	20/40
C	4/4 PEOPLE	68/100
1	✓ Culture	20/25
2	✓ Responsibility	16/20
3	✓ Skills and guidance - capability	18/35
4	✓ Communication	14/20
D	3/3 PARTNERSHIPS & RESOURCES	56/100
1	✓ Partnerships and shared services	25/50
2	✓ Finance	16/30
3	✓ Tools	15/20

ENABLERS		Score
E	6/6 PROCESSES	70/100
1	✓ Links to business/service processes overview	25/35
2	✓ Risk Identification and Analysis	25/30
3	✓ Risk response	7/15
4	✓ Risk reporting and review	5/5
5	✓ Investigation and Root Cause Analysis	3/5
6	✓ Service Continuity	5/10
RESULTS		Score
F	2/2 RISK HANDLING & ASSURANCE	64/100
1	✓ Risk handling	33/60
2	✓ Assurance	31/40
G	2/2 OUTCOMES & DELIVERY	65/100
1	✓ Risk management contribution to overall performance	40/60
2	✓ Contribution to specific outcomes	25/40
Additional Questions		
-		Go to additional questions

Comparison to Alarm's National Performance Model for Risk Management

ENABLERS LEVEL KEY	
Level 5 - Driving	85%+
Level 4 - Embedded and integrated	70%+
Level 3 - Working	45%+
Level 2 - Happening	20%+
Level 1 - Awareness	0+

Your Score-->

RESULTS LEVEL KEY	
Level 5 - Driving	85%+
Level 4 - Embedded and integrated	70%+
Level 3 - Working	45%+
Level 2 - Happening	20%+
Level 1 - Awareness	0+

Your Score-->

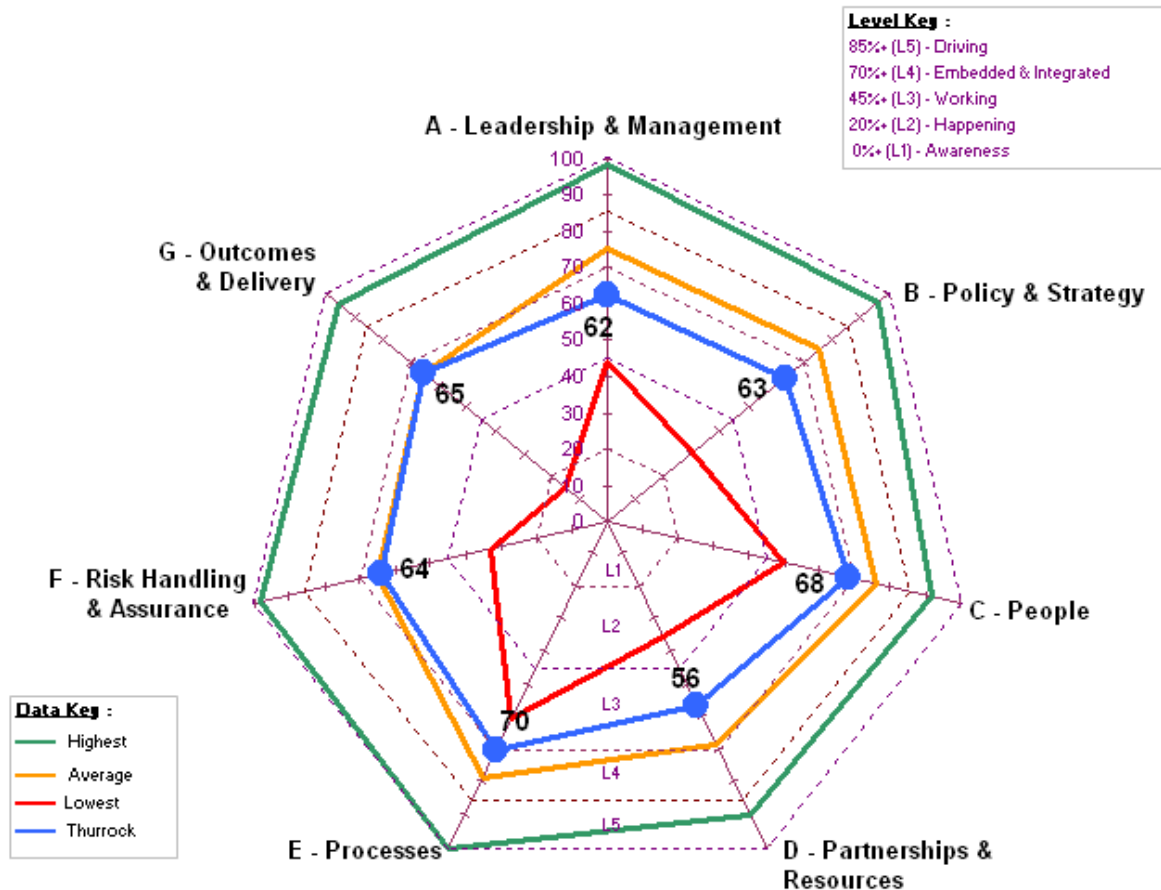
3.5 The Council has attained **Level 3 - working** for both the Enabler and Results criteria.

3.6 The benchmarking cohort consisted of 43 public sector organisations, the majority of which are Local Authorities (a mix of London Boroughs, Unitaries, Counties and Districts).

4. Analysis of the benchmarking

4.1 The graph below plots Thurrock’s scores against the model and the lowest, average and highest performance in the benchmarking cohort:

- The green line shows the highest performance for each strand
- The amber line shows the average score for the benchmarking cohort for each strand
- The blue line shows Thurrock’s score for each strand
- The red line shows the lowest performance for each strand



4.2 The table below shows how the 2012 results compare against last years exercise:-

Strand	Score		Comment
	2012	2011	
A Leadership & Management	62	62	Same
B Policy & Strategy	63	34	Significant improvement
C People	68	59	Improvement
D Partnerships & Resources	56	56	Same
E Processes	70	67	Slight improvement
F Risk Handling & Assurance	64	53	Improvement
G Outcomes & Delivery	65	60	Slight improvement

4.3 The benchmarking has revealed that:

- . The Council has attained a score which is on equal to or slightly below the average score of the 43 public sector organisations.
- . For 1 of the 7 strands the Council's score is at the score for Level 4 – embedded and integrated (70%+).
- . For 5 of the 7 strands the Council's scores are on the border of attaining the score for Level 4 – embedded and integrated (70%+).
- . For 5 of the 7 strands the Council's score has improved against the previous years results.
- . The work to review and refresh the ROM Framework has significantly improved the Policy & Strategy strand.
- . The main area that needs strengthening relates to the Council's arrangements for Partnerships and Resources.

4.4 The results of the benchmarking exercise show that with some further work the Council's ROM arrangements could be improved to meet a higher standard which would give key leaders confidence that appropriate and effective arrangements continue to be in place.

4.5 Key improvement opportunities identified include:

- . Develop management/officer capacity and engage members in ROM.
- . Strengthen ROM arrangements for key partnerships.
- . Strengthen Project level ROM.

The gaps identified by the benchmarking exercise and actions to address the items are included in **Appendix A**.

5. CONSULTATION

5.1 The results of the benchmarking exercise and plan to address the gaps identified were reported to Director Board 26th June 2012, via Performance Board representatives 11th June 2012.

6. IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

6.1 ROM is recognised as a good management practice and how successful the Council is in managing the risks and opportunities it faces will have a major impact on the achievement of the Council's priorities and objectives.

7. IMPLICATIONS

7.1 Financial

Implications verified by: Sean Clark, Head of Corporate Finance
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Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduced the likelihood of financial claims and/or loss faced by the Council.

7.2 **Legal**

Implications verified by: Daniel Toohey, Principal Solicitor
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Effective risk and opportunity management and the processes underpinning it will provide a more robust means to identify, manage and reduced the likelihood of legal claims or regulatory challenges against the Council

7.3 **Diversity and Equality**

Implications verified by: Samson DeAlyn, Corporate Diversity Manager
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sdealyn@thurrock.gov.uk

The management of risk and opportunities provides an effective mechanism for monitoring key equality and human right risks associated with a range of service and business activities undertaken by the Council. It also provides a method for reducing the likelihood of breaching our statutory equality duties.

7.4 **Other implications**

Risk and opportunity management contributes towards the Council meeting the requirements of Corporate Governance and the Account & Audit Regulations.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- ALARM/CIPFA Risk Management Benchmarking Club 2012 – Papers and exercise.

APPENDICES TO THIS REPORT:

- Gap Analysis and Improvement Plan - **Appendix A**

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ROM Benchmarking 2012 - Gap Analysis and Improvement Plan

Appendix A

Strand: Leadership and Management

Gap Identified	Action	Lead	Timescale
1. Inconsistent engagement, debate and scrutiny of key R&O information by Directors Board and Audit Committee	<ul style="list-style-type: none"> • Provide ROM training to Directors through the Leadership Framework. • Provide ROM Awareness training to Audit Committee. • Further review and improve format of quarterly report of the Strategic/Corporate R&O Register to Audit Committee (via Directors Board & Performance Board). 	<ul style="list-style-type: none"> • Organisational Development and Corporate Performance Team. • Corporate Performance Team • Corporate Performance Team and Performance Board. 	<ul style="list-style-type: none"> • By April 2013 • From July 2012 • From June 2012
2. Reallocation of senior responsibility for ROM following the departure of the Director of Transformation	<ul style="list-style-type: none"> • Allocation of senior responsibility for ROM under the Central Restructure 	<ul style="list-style-type: none"> • Chief Executive 	<ul style="list-style-type: none"> • June 2012

Strand: Policy and Strategy

Gap Identified	Action	Lead	Timescale
3. No annual review of the effectiveness of the ROM Framework.	<ul style="list-style-type: none"> • Maintain annual benchmarking/review arrangements for ROM • Production of annual plan and annual report for ROM to Audit Committee, via Directors Board and Performance Board. 	<ul style="list-style-type: none"> • Corporate Performance Team • Corporate Performance Team 	<ul style="list-style-type: none"> • May 2012 • Annual Plan – July 2012 • Annual Report – March 2013

ROM Benchmarking 2012 - Gap Analysis and Improvement Plan

Appendix A

Strands: People, Partnerships & Resources

Gap Identified	Action	Lead	Timescale
4. Application of ROM principles and practices are not consistent and/or Capacity for ROM is not fully developed.	<ul style="list-style-type: none"> Invest in and develop management capacity by providing ROM training through the Leadership Framework. Provide ROM Awareness training to members through the Member Development Programme Further develop Performance Board capacity for ROM Review and refresh ROM guidance on the intranet 	<ul style="list-style-type: none"> Organisational Development and Corporate Performance Team. Democratic Services and Corporate Performance Team Performance Board and Corporate Performance Team. Corporate Performance Team 	<ul style="list-style-type: none"> By April 2013 September 2012 Ongoing Apr 2012 - March 2013
5. ROM arrangements for key partnerships are inconsistent	<ul style="list-style-type: none"> Through Performance Board work with client department/services to identify key partnerships, the current ROM practices applied and the areas for improvement 	<ul style="list-style-type: none"> Performance Board and Corporate Performance Team 	<ul style="list-style-type: none"> December 2012

Strand: Processes

Gap Identified	Action	Lead	Timescale
6. ROM is not fully integrated with key business processes	<ul style="list-style-type: none"> Through Performance Board improve the review arrangements of key risk/opportunity information at Service and Directorate level. Through Performance Board review the Strategic/Corporate ROM arrangements to identify and implement improvements to the process. Further develop and utilise the performance management system (In Phase, Performance Plus) as a corporate based system for ROM 	<ul style="list-style-type: none"> Performance Board Corporate Performance Team and Performance Board Performance Board and Corporate Performance Team 	<ul style="list-style-type: none"> March 2013 April 2012 onwards. By March 2013
7. Risk information is not always used to guide major decisions	<ul style="list-style-type: none"> Further develop and raise awareness of project level ROM arrangements. Review ROM element of Report Writing guidance 	<ul style="list-style-type: none"> Corporate Performance Team and Performance Board Corporate Performance Team 	<ul style="list-style-type: none"> December 2012 Jan 2013