28 November 2013	ITEM 7
Standards and Audit Committee	
Risk and Opportunity Management - Benchmarking and Action Plan	

Report of: Andy Owen, Corporate Risk Officer.	
Wards and communities affected: All.	**Key Decision:** Non-key.
Accountable Head of Service: Sean Clark, Head of Corporate Finance	
Accountable Director: Chief Executive	
This report is a public report.	
Purpose of Report: To provide Standards and Audits Committee with the results of the ALARM/CIPFA Benchmarking exercise, the progress against the previous year's action plan and the further actions identified to address the improvement opportunities established 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.

To enable Standards and Audit Committee to consider the effectiveness of the Council's ROM arrangements this report is presented on an annual basis.

This report provides details of how the Council's ROM arrangements compare against the ALARM/CIPFA Benchmarking Model, the progress against the previous year's action plan and further actions identified to address the improvement opportunities established by the review.

1. RECOMMENDATIONS:

1.1 That Standards and Audit Committee notes the results of the benchmarking exercise, the progress against the previous year's action plan and further actions identified to address the improvement opportunities established by the review.

2. INTRODUCTION AND BACKGROUND:

2.1 Risk and Opportunity Management is an integral part of the Council's Corporate 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). The 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

2.4   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.

2.5   These results are then used to calculate the overall scores for the Enabler and Results sections. A summary of Thurrock's scores against the model is outlined below:

ENABLERS		Score
A 4/4	**LEADERSHIP & MANAGEMENT**	**72/100**
1 ✓	Information and decision making	22/32
2 ✓	Escalation and reporting systems	10/12
3 ✓	Accountability and management responsibility	24/32
4 ✓	Leading risk management implementation	16/24

B 2/2	**POLICY & STRATEGY**	**73/100**
1 ✓	Risk management policy	48/60
2 ✓	Strategy	25/40

C 4/4	**PEOPLE**	**69/100**
1 ✓	Culture	20/25
2 ✓	Responsibility	16/20
3 ✓	Skills and guidance - capability	19/35
4 ✓	Communication	14/20

D 3/3	**PARTNERSHIPS & RESOURCES**	**65/100**
1 ✓	Partnerships and shared services	30/50
2 ✓	Finance	20/30
3 ✓	Tools	15/20

ENABLERS		Score
E 6/6	**PROCESSES**	**72/100**
1 ✓	Links to business/service processes overview	25/35
2 ✓	Risk Identification and Analysis	25/30
3 ✓	Risk response	10/15
4 ✓	Risk reporting and review	4/5
5 ✓	Investigation and Root Cause Analysis	3/5
6 ✓	Service Continuity	5/10

RESULTS		Score
F 2/2	**RISK HANDLING & ASSURANCE**	**66/100**
1 ✓	Risk handling	38/60
2 ✓	Assurance	28/40

G 2/2	**OUTCOMES & DELIVERY**	**68/100**
1 ✓	Risk management contribution to overall performance	40/60
2 ✓	Contribution to specific outcomes	28/40

Additional Questions
• Go to additional questions

Comparison to Alarm's National Performance Model for Risk Management

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

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

2.6   The Council has attained **Level 4 - Embedded and Integrated** for the Enabler criteria and **Level 3 - Working** for the Results criteria.

2.7   The benchmarking cohort consisted of 35 public sector organisations, the majority of which are Local Authorities (5 Unitary, 8 County, 5 London Borough, 4 Borough, 2 City, 5 Scottish Unitary, 2 Welsh Unitary, 2 Fire, 1 Police and 1 Community Homes).

3.   Evaluation of results and progress

3.1   The graphs in **Appendix A** show:
- Thurrock's scores for 2013 against the model and the lowest and highest performance in the benchmarking cohort.
- Thurrock's scores for 2013 against the model and the average performance in the benchmarking cohort for the 2013 and 2012 exercises.
- Thurrock's scores for 2013 against the model and Thurrock's scores for 2012 and 2011.
- Thurrock's scores for 2012 against the model (including the lowest and highest performance in the benchmarking cohort) for comparison against the 2013 results.

3.2   The benchmarking has revealed that:

- For 3 of the 7 strands the Council has attained Level 4 – embedded and integrated (70%+).
- For 4 of the 7 strands the Council's scores are on the border of attaining the score for Level 4 - embedded and integrated (70%+).
- For all of the 7 strands the Council's score has improved against previous year's results.
- The Council has attained a score which is bordering on the average score of the benchmarking cohort for all of the 7 strands.

3.3   The results of the benchmarking exercise show that with some further work the Council's ROM arrangements could be improved which would give key leaders confidence that appropriate and effective arrangements continue to be in place. For example, build on the IIP Gold Accreditation and further develop the skill/capacity for ROM across the Council to achieve level 4 (embedded and integrated) for the People strand under the ROM benchmarking model.

3.4   The progress and developments against the previous year's action plan and the action to address the improvement opportunities identified by the review are included in **Appendix B**

3.5   Work is currently underway on the reviews of the ROM Framework and Strategic/Corporate level ROM. This involves the development of a revised approach for the review and reporting of the Strategic/Corporate Risk and Opportunity Register. As a result the review/reporting of the register is suspended in the short term until the new approach is developed and introduced.

4.   REASONS FOR RECOMMENDATION:

4.1   To enable Standards and Audit Committee to consider the effectiveness of the Council's ROM arrangements the report is presented on an annual basis.

4.2   The report provides details of how the Council's ROM arrangements compare against the ALARM/CIPFA Benchmarking Model, the progress against the previous year's action plan and the further actions identified to address the improvement opportunities established by the review.

5.   CONSULTATION (including Overview and Scrutiny, if applicable)

5.1   The results of the benchmarking exercise, progress against the previous year's action plan and further actions to address the improvement opportunities established by the review were to be reported to Performance Board 1st July 2013 and Directors Board 9th July 2013.

5.2   Further consultation on the submission was undertaken with Directors Board and Performance Board representatives in July. The submission and review was agreed by Directors Board 28th August 2013, via Performance Board 1st August 2013.

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: **Michael Jones, Management Accountant**
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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: **David Lawson, Deputy Head of Legal & Deputy Monitoring Officer**
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dlawson@thurrock.gov.uk

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.go.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 (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental**

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 2013 – Papers and exercise.

APPENDICES TO THIS REPORT:

- Evaluation of results against the model and cohort - **Appendix A**
- Summary of Progress/Developments Against the 2012 Action Plan and the ROM Benchmarking Action Plan for 2013 - **Appendix B**

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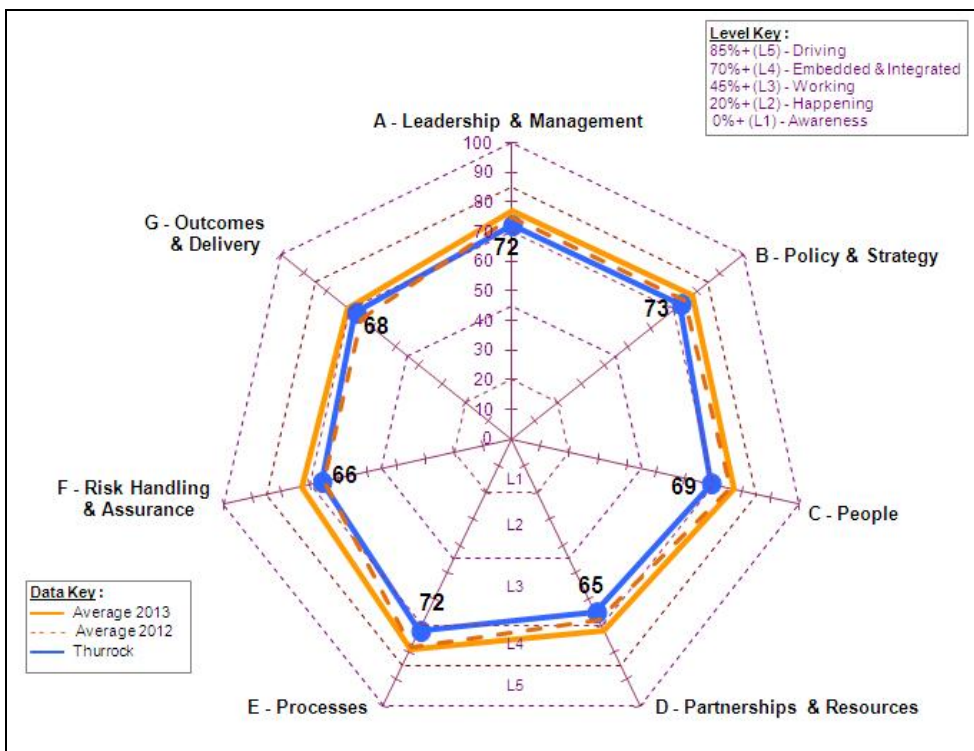
Appendix A

Evaluation of Results

Graph 1 shows Thurrock's scores for 2013 against the model and the lowest and highest performance in the benchmarking cohort.

- The green line shows the highest performance in the benchmarking cohort for each strand
- The blue line shows Thurrock's score for each strand
- The red line shows the lowest performance in the benchmarking cohort for each strand
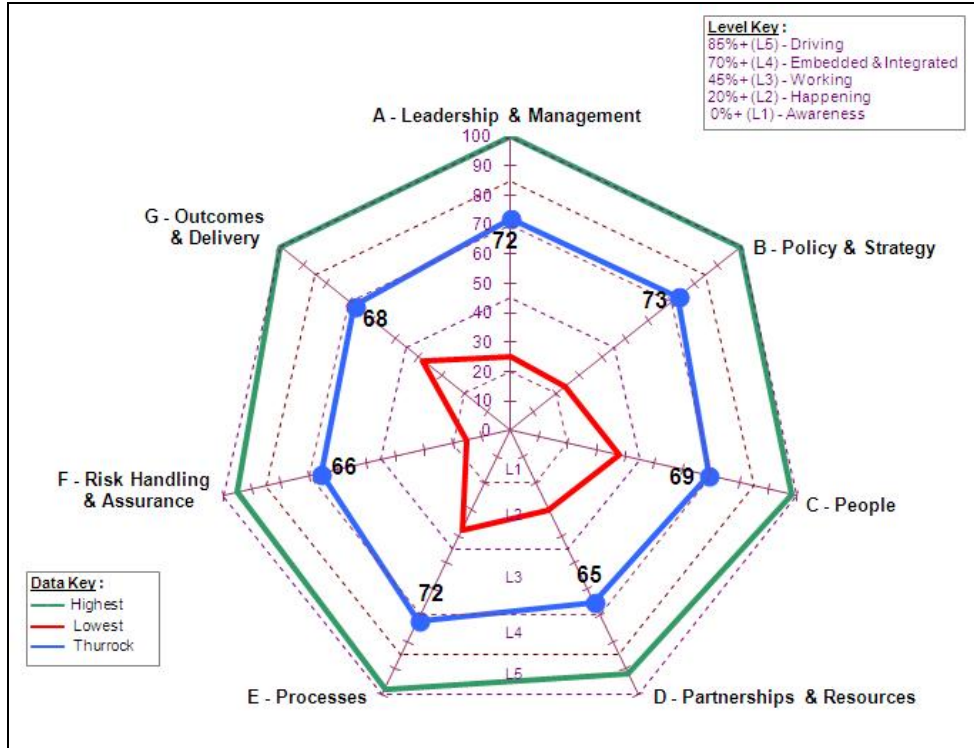
Graph 2 shows Thurrock's scores for 2013 against the model and the average performance in the benchmarking cohort for 2013 and 2012.

- The amber line shows the average score in the benchmarking cohort for 2013.
- The dashed amber line shows the average score in the benchmarking cohort for 2012
- The blue line shows Thurrock's score for each strand.
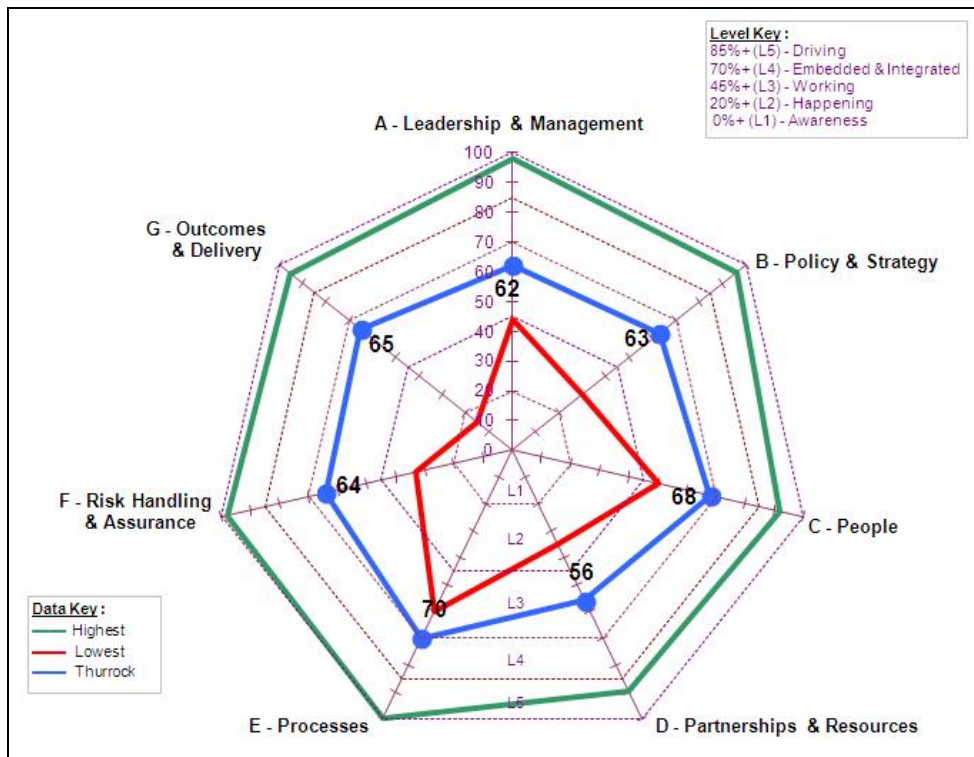
Appendix A

Graph 3 shows Thurrock's scores for 2013 against the model and Thurrock's scores for 2012 and 2011.

- The blue line shows Thurrock's score for 2013 under each strand.
- The dark grey line shows Thurrock's score for 2012 under each strand.
- The light grey dashed line shows Thurrock's score for 2011 under each strand.
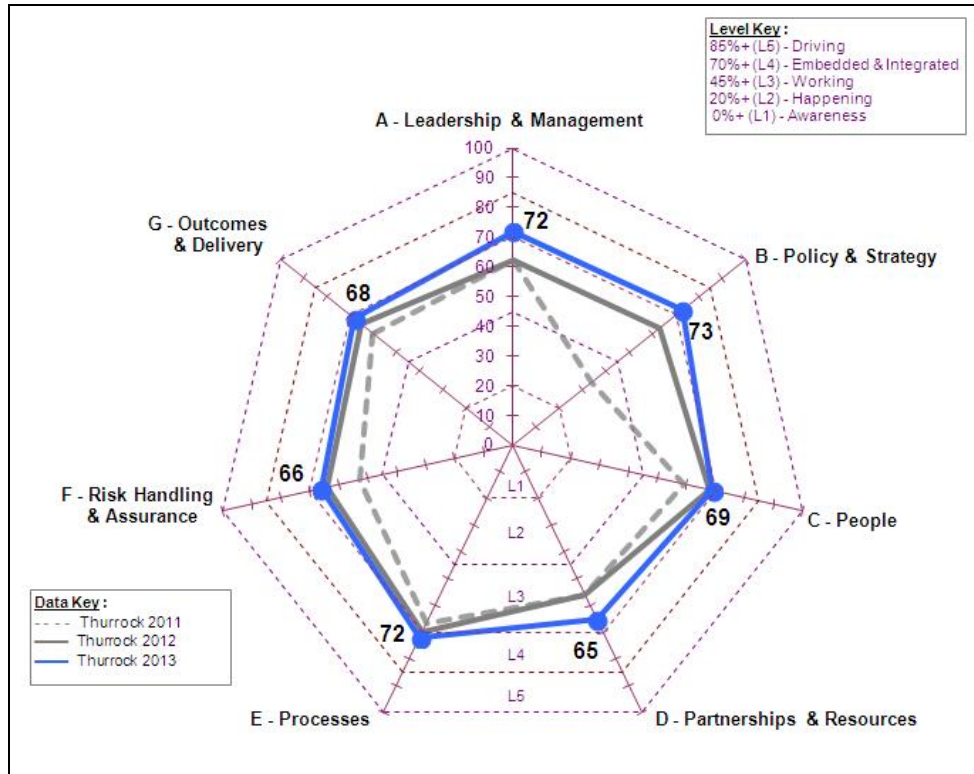
Graph 4 shows Thurrock's scores for 2012 against the model (including the lowest & highest performance in the benchmarking cohort) for comparison against the 2013 results (Graph 1).

- The green line shows the highest performance in the benchmarking cohort for each strand
- The blue line shows Thurrock's score for each strand
- The red line shows the lowest performance in the benchmarking cohort for each strand

Summary of Progress/Developments Against 2012 Action Plan

Action	Progress / Developments
1. Maintain annual benchmarking arrangement for ROM and production of report of progress and plan to address the improvement opportunities identified by the review.	– Benchmarking of ROM undertaken May 2013. Results, progress against previous year's action plan and the further actions identified to address the improvement opportunities established by the review to be reported to Standards & Audit Committee, via Directors Board and Performance Board.
2. Provide ROM awareness training to management through the leadership/management development programme.	– ROM Awareness Training established. Support provided to Organisational Development to establish core training modules for the leadership/management development programme. Programme underway (current modules include Financial Management and Performance Management). ROM module scheduled for later in the programme.
3. Provide ROM awareness training to members through the member development programme.	– ROM Awareness Training established and made available to Standards & Audit Committee and Members (via the member development programme).
4. Review the Strategic/Corporate ROM arrangements to identify and implement any areas for improvement.	– Strategic/Corporate R&O Register reviewed and reported on a quarterly basis. Reports include Dashboard, In Focus papers and whole register made available on system via J/Thurrock/Exchange file. Summary of actions and covering paragraph for each In Focus item contained in the main body of report. Reports provide details of how the key R&Os facing the Council are identified and managed.
5. Further utilise the performance management application as a corporate based system for ROM	– Budget for the performance management application identified as potential saving and as a result the development of the application as corporate based system for ROM not undertaken. Corporate templates developed for the identification and management of Service and Strategic/Corporate level ROM. Corporate template/file developed for the Strategic/Corporate Risk and Opportunity Register.
6. Further develop Performance Board capacity for ROM	– Terms of reference for PB established. Key duties are to oversee the implementation of the ROM framework and to maintain/review the Strategic/Corporate R&O Register. – Review of the Strategic/Corporate R&O Register established. Performance Board, with consultancy from the Corporate Risk Officer work with services to review and update the Strategic/Corporate Risk and Opportunity Register.
7. Identify and implement any improvements to the review arrangements of key risk/opportunity information at service/directorate level.	– Directors notified of the quarter review arrangements of the Strategic/Corporate R&O Register, the current items for their directorates and prompted for any new or emerging items that need to be included on the register. – As per 5 above - Corporate templates established for the identification and management of Service and Strategic/Corporate level ROM.

8. Review and refresh ROM guidance on the intranet.	– ROM Framework established and made available on the ROM web page of the intranet/internet.
9. Further develop and raise awareness of project level ROM arrangements.	– Work to identify the major projects and the RM arrangements in place carried out with services for the 2013 ROM Benchmarking Review. Established that a mix of projects and RM arrangements in place. Identified that services may benefit from some corporate guidance on ROM for projects. ROM guidance and R&O Register developed to set out the basis for Project level ROM, which is consistent with the ROM Framework. Details communicated with services July 2013 and made available on the ROM web page of the intranet /internet.
10. Identify key partnerships, the current ROM practices applied and any areas for improvement.	– Work to identify the key partnerships and the RM arrangements in place carried out with services for the 2013 ROM Benchmarking Review. Established that a mix of partnerships and RM arrangements in place. Identified that services may benefit from some corporate guidance on ROM for partnerships. Further research and work to be undertaken during 2013 to establish some guidance.
11. Review ROM element of report writing guidance.	– Corporate template/guidance for reports includes a Financial, Legal and Diversity Implication sections and Other Implication section where risk information can be included. Sample of key decision reports reviewed for the 2013 ROM Benchmarking exercise. Identified that all the reports contained risk information although report authors tend to include the detail in the main body of reports, instead of using the other implications facility. It is important that R&O information is formally documented in reports to aid the decision making process. Further research and work to be undertaken during 2013 to establish if any changes needed to risk implications element of the corporate template/guidance for reports.
12. Allocation of senior responsibility for ROM	– Following the departure of the Director of Transformation the Corporate Director of Finance and Corporate Governance was made responsible for overseeing ROM under the Constitution (although the responsibility was delegated to Chief Executive and Assistant Chief Executive for continuity of the risk/performance function). Allocation of senior responsibility for ROM will need to be revised following the departure of the Director of Finance & Corporate Governance in July 2013.

ROM Benchmarking 2013 - Action Plan

Improvement Opportunity Identified	Action
1. Continue to ensure that the Council has a good understanding of the significant risks/ opportunities facing the organisation and their likely impact on service delivery and the achievement of objectives.	− Maintain the regular review and reporting of Strategic/Corporate Risk & Opportunity Register to Standards & Audit Committee, via Directors Board.
2. Continue to ensure that the ROM Framework and arrangements remain appropriate and effective.	− Review the ROM Framework. − Review the arrangements for Strategic/Corporate level ROM. − Review the arrangements for service (operational) level ROM. − Maintain annual benchmarking of ROM arrangements − Implement any areas for improvement identified by the above reviews.
3. Build skill and capacity for ROM across the Council.	− Work with Organisational Development to develop/implement ROM Awareness Training module as part of the leadership/management development programme. − Review, develop and make available ROM Awareness Training to Standards & Audit Committee. − Review, develop and make available ROM Awareness Training to Members through the member development programme.
4. Increase the level and availability of ROM information to the Council	− Review the information on the ROM web page (intranet/internet) to ensure the details are current and appropriate. − Research/develop corporate guidance on managing risks and opportunities with partners and communicate across the Council when developed. − Review and further develop the ROM element of the corporate template/guidance for report writing to improve the level or standard of risk information contained in key decision reports.