City of London Corporation: Strategic Risk Review

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Executive Summary

The City of London has commissioned Zurich Municipal to undertake an external review of its strategic risk management arrangements. Zurich carried out a desktop review of the Risk Management Handbook, Improvement Plan, Strategic and Departmental Risk Registers, conducted a series of one-to-one interviews with key individuals and undertook a benchmarking exercise. Full details of findings and recommendations follow in this report; in summary the main recommendations are split into the following three sections:

Section 1: Desktop Review of Documentation

1.1 Risk Management Handbook

- Introduce aide-memoire or fact sheet for practitioners to complement Handbook.
- Add further detail to responsibilities e.g. *how* the Court of Common Council assumes "overall accountability for risk management."
- Further define terms e.g. business, strategic and operational risk.
- Clarify risk maturity model including assessment techniques/measurement criteria.
- Review risk scoring matrix impact indicators to ensure that there are no gaps / overlaps
- Identify more two-way processes to encourage open risk communication and identification of departmental issues.

1.2 Risk Improvement Plan

- Identifies need to "set different reporting guidelines for departments taking into account their current arrangements and resources available" - clarify how this aligns with desire for consistency of approach across departments.
- Identifies need to "determine the risk appetite" - need to set some achievable parameters.
- Refers to putting risks into groups of strategic, operational and corporate risks – distinction between the groups needs to be clarified to avoid overlap.
- Refers to a desire to promote and report opportunity risks - definite appetite for opportunity risk management but other processes need to be embedded as a priority.

1.3 Strategic Risk Register

Recommendations for updating specific risks:

- SR 1 Failure to respond to a terrorist attack, SR5 Flooding in the city and SR13 Public Order and Protest focus on ability to respond to a major incident and the controls involve having a robust Business Continuity Plan and Emergency Plan.

Consider bringing these risks together into a single risk 'Ability to respond effectively to a major incident or catastrophe'.

- SR 8 Negative publicity and damage to the City Corporation's reputation – consider adding further detail around causes or the consequences.
- SR 16 Breach of Data Protection Act. Consider revisiting the causes and consequences to include human behaviour, social media and cyber risk etc. and in doing so widen heading to 'Managing Information Governance'.

Further risks for consideration:

- Supply Chain Failure. Increasingly complex procurement and supply chain arrangements.
- Safeguarding. May be relevant in terms of delivery of statutory social care services.
- Business Transformation / Workforce Planning. Resource constraints leading to changes in internal structures and the way that services are delivered.

1.4 Departmental Risk Registers

- Need to ensure all departments understand and embed processes, including the gross and net risk scoring system and gain assurance around the effectiveness of controls and the robustness of identified planned actions.

Section 2: Interview Findings

2.1 Risk Matrix and Risk Appetite: Key Findings

- Corporation will need to review its risk appetite to adapt to the changing risk environment, such as current budget constraints etc.
- Felt that a definitive risk appetite may be difficult to agree corporately.
- Organic view of risk appetite may emerge from the on-going service based reviews.
- Risk matrix scoring mechanisms would benefit from simplification.

2.1.1 Risk Matrix and Risk Appetite: Recommendations

- Senior managers should ensure that innovative and considered risk taking is fostered within key projects.
- Element of risk appetite identification could be tested, against selected corporate priorities and/or risks. Partial/pilot risk appetite exercise could be developed to facilitate this.
- More comprehensive risk appetite exercise could be undertaken later with perception surveys and/or a facilitated exercise.
- Review of the risk matrix and scoring criteria would be beneficial e.g. 4x4 matrix to ensure all practitioners find it easy to apply.

2.2 Consistency of Approach: Key Findings

- Some feeling that a "one-size" approach does not fit all. Counter argument that consistent approach necessary in order to consider and appraise risk in an organisational context.
- Some disparity between some departmental risk registers and strategic risk register e.g. risk scores may have different meanings.
- Officers may not always have skills to identify and grade risks, and may confuse a "risk" with an "issue" or a "symptom".

2.2.1 Consistency of Approach: Recommendations

- Undertake formal debate around consistency of approach across departments. Would allow for parameters and exceptions to be identified.
- Develop risk management competency assessment and training programme. Consider further risk identification ("blank paper") exercises.
- Develop simplified risk guide to complement the Handbook.

2.3 Risk Reporting and Escalation: Key Findings

- Differing opinions on whether officers feel enabled to report risk issues, escalate risks etc. Culture of more transparency and openness is being fostered by senior management.
- Concern that Audit & Risk Committee don't have sufficient oversight of / assurance on top departmental risks.
- Could be more consistency and proactivity around horizon scanning.

2.3.1 Reporting and Escalation: Recommendations

- Defined escalation criteria and process should be simple, clear and understood.
- Focus of any risk software introduced should be on supporting and enabling risk management.
- Audit & Risk Management Committee could be briefed on top departmental risks alongside the Strategic Risk Register at periodic intervals.
- Undertake more consistent and robust approach to horizon scanning.
- Introduce formal process for escalating key project risks on to Departmental and Strategic Risk Registers.

2.4 Risk Management Groups: Key Findings

- Felt that risk groups are supporting the process although structure and functions may need to change to continue to support changing processes.

- Core SRMG could have a more strategic focus, with the wider SRMG/ Operational Group considering discussion areas such as processes, systems etc.

2.4.1 Risk Management Groups: Recommendations

- Monitor and review how effectively they support the risk management process.
- Revised Handbook / Strategy should incorporate structure of groups, with roles and reporting lines.
- Consider "critical success factors" within the Groups.

2.5 Reputation Risk: Key Findings

- Agreement that key reputation risk is around making difficult decisions to reduce or cease certain services.

2.5.1 Reputation Risk: Recommendations

- Vital that all changes to service delivery are considered in the context of risk appetite.
- Exercise could be undertaken to identify those risks with the potential for reputational impact.

2.6 Added Value and Dynamism: Key Findings

- General sense that risk management is being done well at strategic level but may be reluctance for long standing risks to be reduced or removed.
- Suggested that risk management not as well embedded within all policies, strategies and other processes.
- Agreement that Chief Officers are responsible for risk management; however approach may differ across departments, with some Chief Officers delegating responsibility for risk identification and mitigation downwards, without getting proper feedback and offering challenge.

2.6.1 Value Add Recommendations

- Undertake refresh of strategic and departmental risk registers.
- Key policies and strategies should contain risk management consideration.
- Include risk management as a standing agenda items on relevant committee and management meetings.
- Undertake assurance mapping exercise to review controls.
- Consider making risk management part of overall performance and competency reviews.
- Undertake a review of partnership and supply chain risks.

3. Benchmarking (using Alarm Risk Maturity Model)

3.1 Leadership and Management Board, Members and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented.	**2 Happening**
3.2 Strategy and Policy Risk management strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities are established, and key stakeholders engaged.	**2 Happening**
3.3 People A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities.	**3 Working**
3.4 Partnerships, Shared Risk and Resources Risk with partners and suppliers is well managed and across organisational boundaries. Appropriate resources in place to manage risk.	**3 Working**
3.5 Processes A framework of risk management processes is in place and used to support service delivery. Robust business continuity management system in place.	**3 Working**
3.6 Risk Handling and Assurance Some evidence that risk management is being effective in key areas. Performance monitoring is being developed. Capability assessed within a formal framework. Level 2-3 is the current assessment.	**2 Happening**
3.7 Outcomes and Delivery Clear evidence that risk management is supporting the delivery of key outcomes in relevant areas.	**3 Working**

Introduction

The City of London has commissioned Zurich Municipal to undertake an external review of its strategic risk management arrangements with the following terms of reference:

1. A desktop review of key documents, including the Risk Management Handbook, Improvement Plan, strategic risk register and departmental risk registers
2. Consideration of the risk matrix and current risk appetite in terms of relevance and proportionality
3. Consistency of approach to risk management across the Corporation
4. Review of the arrangements for escalating and reporting risks
5. Review of risk management groups functionality and effectiveness
6. Consideration of reputational risk to the Corporation
7. Perception of the dynamism of risk management within the Corporation and the amount to which it adds value.
8. Benchmarking against peers and best practice

Methodology

An initial scoping meeting was held, and broad terms of reference for the exercise were agreed.

A desktop review of relevant documents was undertaken.

A series of one-to-one interviews were conducted with the following people (in chronological order):

Jeremy Mayhew	Chairman of Audit and Risk Management Committee
Sandeep Dwesar	Chief Operating and Financial Officer, Barbican and GSMD
Ade Adetosoye	Director of Communities and Children's Services
Susan Attard	Deputy Town Clerk
Chris Bilsland	Chamberlain
Margaret Jackson	Policy Performance Officer, Culture, Heritage and Libraries
Suzanne Jones	Business Support Director, Chamberlain's Department
Paul Nagle	Head of Audit, Chamberlain's Department
Sabir Ali	Risk and Assurance Manager, Chamberlain's Department
Kenneth Ludlam	External Member, Audit and Risk Management Committee
Richard Steele	Senior Support Service Officer, Department for Built Environment
David Smith	Director of Markets and Consumer Protection

An interim summary report has been presented for consideration. This full draft report will be presented to the Chief Officer Summit Group on 2nd October 2013.

Overview

The Corporation has recently undertaken a lot of work to improve the risk management framework, by introducing a more corporate approach and seeking to embed risk management into the organisational culture and business processes. Solid efforts have been made towards simplification and consistency of approach, and there is a definite appetite for the identification of gaps, areas of improvements and for tangible steps which will help to demonstrate added value.

There is a high calibre of management and Members within the Corporation, with several recent changes at senior levels. Risk awareness is very high, and Members appear to appraise and challenge risk registers very thoroughly. It is felt that senior managers and Members understand the need to embed robust risk management processes and are willing to embrace necessary changes in order to implement this.

Overall, it is felt that strategic risk is managed well but there is room for improvement across the organisation in terms of processes and embedding. The following report highlights the areas under consideration.

1. Desktop Review of Documentation

1.1 Risk Management Handbook

The Handbook is clearly laid out and is generally written in Plain English, which makes it easy to navigate and understand. As has been suggested during the interviews (below), it may be too comprehensive to provide easy reference for practitioners, and a shorter, more concise aide-memoire or fact sheet to complement the Handbook could be considered. On the whole, it covers the essential topics of risk management.

Roles and responsibilities are listed comprehensively by tier. It may be helpful to include another "layer" to this section, detailing processes behind each tier. For example, *how* the Court of Common Council assumes "overall accountability for risk management", in terms of what is reported to them, what decisions they are expected to make, etc.

It is stated that procedures within the Handbook relate to business, or operational risk, although it appears to encompass strategic risk also, and it may be worth clarifying the definitions, as strategic risk is clearly mentioned elsewhere within the Handbook.

There is a risk maturity model within the Handbook. This model is a little difficult to interpret from the details given, as the levels are not clearly distinct (Level 3 = Level 2+; Level 4 = Level 3+) and the assessment techniques/measurement criteria are not listed here. It is also unclear when/whether this exercise has been undertaken and what the results were, from the documents reviewed.

The handbook identifies a weighted 5x5 scoring matrix, with clear likelihood and impact descriptors. However, there are some gaps and overlaps within the impact indicators: for example Minor could read £5-10k rather than up to £10k; and Moderate could read £10-100k rather than up to £100k, for clarification. Major identifies sustained loss of £5-10m or short term loss in excess of £1m: there is a gap between the Moderate and Major of £100k - £1m.

There are good links suggested between risk management other departments such as Insurance, Project Management, Health and Safety etc.

The Review and Reporting Framework is well articulated and presented. It may be beneficial to identify more two-way processes, rather than just top-down reporting, to encourage open risk communication and identification of departmental issues.

1.2 Improvement Plan

The Plan has a pragmatic approach and improvement steps are set out in easy to understand language and terminology. Some of the objectives and tasks could benefit from more contextualisation and commentary, to give more meaning and idea of the outcomes. There a few specific observations:

- The plan identifies "set different reporting guidelines for departments taking into account their current arrangements and resources available". It is not clear how this supports the stated desire for consistency of approach across departments, or whether adequate resources will be made available within departments.
- "Determine the risk appetite": it is not clear from the interviews to what extent this is desirable or practicable, and the Corporation will need to set some achievable parameters for risk appetite.
- Risk grouping by strategic, operational and corporate risks: it is not always easy to do this, as there is often overlap between the groups. It would be helpful to identify the direct benefit the Corporation is hoping to achieve with regard to this.
- Promote and report opportunity risks: there is a definite appetite to see more opportunity risk management; although it is felt that there other processes to embed as a priority.

1.3 Strategic Risk Register

The strategic risk register contains a strategic risk profile overview, guidance notes on likelihood and impact, and summary risk register, which provide an easy reference point. Supporting statements follow, which contain more detail around each risk. Risks are aligned to Strategic Aims and Key Policy Priorities, although detail around these is not evident within the register, and would be a helpful appendix.

The register could benefit from more detail about the consequences/impacts of each risk, in terms of exactly what the event means for the Corporation, should it occur. The Corporation might also consider including action plans around the key risks, with target dates, risk scores, specific actions and owners etc.

Recommendations for updating specific risks:

SR 1 Failure to respond to a terrorist attack, SR5 Flooding in the city and SR13 Public Order and Protest all focus on the Corporation's ability to respond effectively to a major incident and the controls involve having a robust Business Continuity Plan and Emergency Plan which take account of these and other relevant types of incidents. It might therefore be considered appropriate to bring these risks together into a single risk 'Ability to respond effectively to a major incident or catastrophe'. The focus of this joined up risk would be on providing senior managers and Members with assurance that the Corporation has effective plans in place for responding to all relevant types of major incident rather than focussed on three specific types of incident. This would also avoid having lots of separate risks on the risk register for which lines of responsibility and actions required are similar and with the potential for missing opportunities for better joined up working. It would also ensure that there is space on the strategic risk register for other types of key risk which may need to be focussed on more urgently.

SR 8 Negative publicity and damage to the City Corporation's reputation is identified as a risk, without much specific detail around either the causes or the consequences. It may be helpful for the Corporation to undertake a reputational risk assessment exercise, which would scrutinise existing risks in the context of the potential for reputational damage. This would help to highlight those risks with the highest reputational impact.

SR 16 Breach of Data Protection Act is identified. The risks around DPA compliance and information governance as a whole are becoming an increasingly strategic issue across sectors, and the Corporation may wish to consider revisiting the causes and consequences of this risk in more detail, to include factors such as human behaviour, social media and cyber risk etc. In doing so it might widen the description of the risk to "Managing Information Governance" to reflect these factors.

Recent research and experience identifies a number of emerging risks which the Corporation could consider. These include:

- Supply Chain Failure. Increasingly complex procurement and supply chain arrangements, including the delivery of services by sub-tier suppliers, are leading to the emergence of this as a strategic risk. Mitigations include improvements to the robustness of procurement arrangements, interdependency risk assessments etc.

- Safeguarding. Whilst mitigating controls are usually robust, this is a strategic risk we might expect to see from the perspective of delivery of statutory social care services.

- Business Transformation / Workforce Planning. This is a risk area that we are increasingly seeing as resources are becoming more constrained and organisations are significantly changing internal structures and the way that services are delivered requiring effective change management. As part of this a particular focus of this risk for organisations is on ensuring that they have the right people in place, with the right skills in the right areas to deliver the changing services.

1.4 Departmental Risk Register

A small sample of departmental risk registers has been provided for review. It is not clear how fully engaged all departments are in using the same risk management processes and criteria (see Section 3, below). The Corporation would need to ensure that all departments understand and embed the required processes, including the gross and net risk scoring system, and to gain substantial assurance from the effectiveness of controls and the robustness of identified planned actions.

2. Interview Findings

The comments and recommendations within this section are based largely on the information given by the interviewees.

2.1 Risk Matrix and Risk Appetite: Findings

This section focuses on the risk matrix currently used for scoring, and the perceived existing and desired risk appetite within the Corporation.

- There is a consensus opinion that the Corporation is historically risk averse and that this will need to change to adapt to the changing risk environment, such as current budget constraints etc. It is accepted that risk aversion is no longer relevant in today's market and does not support every department's service needs (such as the need to make dynamic risk assessments in safeguarding environments).
- Risk management needs to be proactive and to embrace innovation: a focus on simply stopping threats from being realised can be counter-productive to realising and maximising opportunities.
- There is a view that that the risk appetite is improving generally throughout the Corporation and that some areas (e.g. projects) are becoming more innovative and open to calculated/considered risks. Recent changes of senior management and Members are helping to challenge long held beliefs.
- While there is agreement that some form of risk appetite formalisation exercise or statement would be beneficial, it is felt that a definitive appetite may be difficult to agree corporately, due to the nature of the committee structure and organisational complexity generally.
- An organic view of risk appetite may emerge from the on-going service based reviews, but this may not be tangible enough to measure key decisions against.
- It is felt that the risk matrix scoring mechanisms may be unnecessarily complicated and would benefit from some simplification. The Corporation could consider using an alternative matrix such as a 4x4 without the more complex scoring weightings.

2.1.1 Risk Matrix and Risk Appetite Recommendations

- The culture of risk aversion is changing but will take time to fully embed. Senior managers should ensure that innovative and considered risk taking is fostered within key projects.
- Rather than undergoing a lengthy and potentially resource-intensive exercise, an element of risk appetite identification could be tested, against selected corporate priorities and/or risks. A partial/pilot risk appetite exercise could be developed to facilitate this.

- A more comprehensive risk appetite exercise could later be undertaken which is focussed on identifying the organisation's appetite for risk across a number of areas e.g. financial, reputation, HR, legal, health and safety and which leads to the development of statements which define this. This could be achieved with perception surveys and/or a facilitated exercise.
- A review of the risk matrix and scoring criteria would be beneficial, to ensure risks are graded proportionately. Any agreed matrix and criteria should be re-communicated across all departments to ensure they are understood and embedded.
- The Corporation may wish to consider using a simpler form of risk matrix, (for example a 4x4) to ensure all practitioners find it easy to apply.

2.2 Consistency of Approach: Findings

This section seeks to identify whether departments are looking at risks in different ways, and whether a more consistent approach is desirable or practicable.

- Efforts have been made to centralise risk processes over the last one to two years and all departments are now expected to use the same matrix and framework. There is not total assurance that this is case in practice across all departments.
- There is some feeling that a "one-size" approach does not necessarily fit all: the Corporation has many diverse departments with differing business objectives and approaches. There is a counter argument that a consistent approach is necessary in order to consider and appraise risk in an organisational context.
- There is some disparity between some departmental risk registers and the strategic risk register, in that risk scores may have different meanings between the two. For example, the strategic impact of a particular risk may be lower or higher than a departmental one, and vice versa, resulting in a different RAG rating.
- It is suggested that officers may not always have the necessary skills to identify and grade risks, and may confuse a "risk" with an "issue" or a "symptom".
- Some departments have "professional" risk managers within them (such as the Director of Public Health) while others may not have the same level of experience and expertise, and an unrealistic assumption of ability may exist.

2.2.1 Consistency of Approach: Recommendations

- As part of the overall review of risk management arrangements, the Corporation might benefit from a formal debate around consistency of approach, and its application across departments. This would raise any issues around the need for relative autonomy, and allow the Corporation to establish and communicate parameters and exceptions, so that working practices are clearly understood and agreed.

- We would suggest that a risk management competency assessment and training programme is drawn up, to enable all those involved in the management or administration of risk registers have the confidence and necessary skills in line with corporate requirements. This might initially focus on risk champions / co-ordinators who have specific responsibility for promoting the development of robust risk registers within their departments and for communicating these within the Core Strategic and wider SRMG/Operational Risk Management Groups. This training needs to be interactive and engaging with a focus on how good risk management can benefit their departments and the organisation as a whole.
- There has already been some success with risk identification ("blank paper") exercises in limited areas. A follow up of this approach across departments would assist to communicate and embed the desired approach.
- Departmental risk practitioners would benefit from a simplified risk guide, or aide-memoire, to complement the Handbook and/or Strategy. This might include simple tips for risk identification, escalation trigger points, key contacts for advice etc.

2.3 Reporting and Escalation: Findings

These questions were around the effectiveness of the governance arrangements for reporting and escalating risks.

- There is some feeling that the escalation processes in general could be improved, in that departmental risks could be elevated more consistently. It is possible that escalation criteria is not widely understood; also that some departments "over-escalate" or wait for SRMG to "spot" risks that need to be escalated.
- The Corporation is considering the use of risk management software, to enable consistent recording and reporting of risks; also to enable an overview strategically and across departments and to allow comments and updates.
- There are differing opinions on whether all officers feel enabled to report risk issues, escalate risks etc. due to differing degrees of knowledge, or level of management control. However, it is felt that a culture of more transparency and openness is being fostered by the new senior management.
- A concern was raised that whilst Audit & Risk Committee regularly reviews key strategic risks, they don't necessarily have sufficient oversight of / assurance on the top departmental risks to enable to make informed recommendations.
- There could be more consistency and proactivity around horizon scanning.

- Some uncertainty was expressed about the consistency of the risk management approach applied to projects and whether key projects risks are escalated on a consistent basis

2.3.1 Reporting and Escalation: Recommendations

- Any defined escalation criteria and escalation process should be simple, clear, communicated and understood. For example, the criteria for a departmental risk being escalated to the strategic risk register: if it crosses a certain number of departments; incurs a certain cost; has a certain likelihood or impact score etc. This may be the case within the Handbook but is not widely understood at present.
- In the consideration of software, the focus should be on supporting and enabling risk management, rather than the introduction of a new IT system. Experience shows that if users find it much more complex or difficult than the current system (e.g. spreadsheets) there is a danger that it will not be widely used, or that information being entered will be sub-standard.
- The Audit & Risk Management Committee could be briefed on top departmental risks alongside the Strategic Risk Register at periodic intervals. Time constraints would not necessarily permit a full review but would at least give the Committee an oversight of, and assurance on, key risks that are being managed across the organisation. This could only be undertaken once the Corporation is satisfied that departmental risks have been identified and rated using required processes (see 2.2.1 above).
- A more consistent and robust approach to horizon scanning to identify new and emerging threats and opportunities could be considered. This might be incorporated into any new processes such as a new strategy, risk register refresh, department risk identification exercises etc.
- To ensure that project risk management is aligned to other risk and business processes, project managers should be familiar with the organisation's revised risk management processes. There should also be a formal process in place for escalating key project risks on to Departmental and Strategic Risk Registers as required.

2.4 Risk Management Groups: Findings

This section seeks to explore the functionality and effectiveness of the current risk management groups and to identify any changes necessary.

- It is generally felt that the risk groups are supporting the process at the moment, although there is a likelihood that their structure and functions will need to change to continue to support changing processes.

- It is suggested that the Core SRMG could have a more strategic focus, with the wider SRMG/ Operational Group considering discussion areas such as processes, systems etc.

2.4.1 Risk Management Groups: Recommendations

- It may not be necessary to implement any changes to the Groups at present, but continue to monitor and review how effectively they continue to support the risk management process as it develops and progresses.
- The revised Handbook should incorporate a clear structure of risk groups, with roles and reporting lines.
- The Corporation might consider implementing some benchmarking, or "critical success factors" within the Groups, so that their effectiveness can be objectively measured.

2.5 Reputation Risk: Findings

This section examines the issues most likely to cause reputational damage to the Corporation.

- There is agreement that one of the biggest risks to the Corporation's reputation is around making difficult decisions to reduce or cease certain services. There are two strands to this:
    - The difficulty in making these decisions and reaching agreement
    - The management of expectations (public, Member, staff etc).

2.5.1 Reputation Risk: Recommendations

- It will be vital for the Corporation to ensure that all changes to service delivery are considered in the context of risk appetite, proportionality and that expectations are sensitively and clearly communicated to all key stakeholders.
- As strategic and departmental risk registers are revisited and refreshed, an exercise could be undertaken to identify those risk with the potential for reputational impact. It may be the case at present that some departmental risks have a much higher reputational impact than has previously been considered.

2.6 Added Value and Dynamism: Findings

This section considers whether the risk management process is in general adding value, or whether it is regarded as more of a "tick-box" exercise.

- There is a general sense that risk management is being done well at strategic level, and has definitely improved over the last few years. It is felt that the next significant challenge will be to improve and embed departmentally.

- There may be an historic reluctance for long standing risks to be reduced or removed from the strategic risk register, even though the risk environment and circumstances may have changed. For example, the planning for the 2012 Olympics revealed good mitigations and contingencies around major incidents, but it is still viewed as a significant threat.
- It was suggested during the interviews that risk management is not as well embedded within all policies, strategies and other processes as is desirable.
- There has been an organisational tendency to have a more reactive approach to risk management, whereas a more proactive approach would be now welcomed
- An historic cultural resistance to change may hinder the progress of identified and required improvements. It is suggested that a particular barrier to change may be the Corporation's own inability to be agile and flexible enough to adapt to changing risk environment, market needs, service delivery options etc.
- It is suggested that there may have been some previous complacency and assumption that internal controls are working well. While there is general confidence in the overall probity and governance of the Corporation and acknowledgement that there will always be exceptions, some lessons have been identified from recent incidents. There is a feeling that there could still be some progress to be made in the evidence of systematic assurance.
- There is general agreement that Chief Officers are responsible for risk management; however, there is not necessarily a consensus that they are held fully accountable. The approach may differ across departments, with some Chief Officers delegating the responsibility for risk identification and mitigation downwards, without getting proper feedback and offering challenge.
- There is confidence that risk management is embedded in existing commissioning processes within Communities and Children's Services. Elsewhere, the extensive commissioning of services is a relatively new area for the Corporation, and it is felt that some work may need to be done to ensure that robust risk management is embedded within key partnerships and contracts.

2.6.1 Added Value and Dynamism: Recommendations

- The strategic risk register would probably benefit from a refresh exercise, to ensure it is fresh and relevant, and truly reflects the key areas of strategic risk facing the organisation. This could then be repeated with departmental risk registers, and the process could assist to ensure the risks and processes being used to identify and manage them are in close alignment.
- Key policies and strategies should contain a risk management consideration. Some of these, such as longer-standing ones, could be reviewed to ensure that new risks do

not affect the policy or outcomes. All business plans should be aligned to risk management objectives.

- By embedding risk management as a standing agenda items on relevant committees and management meetings, discussion and debate are encouraged, and a more proactive approach is fostered. This would also help to overcome long-standing resistance to change, as there are more forums for engaging debate and making informed, risk-based decisions.
- The Corporation might benefit from an assurance mapping exercise. This helps to identify areas where more, or fewer, controls may be necessary, and assists the organisation to deploy risk management resources more efficiently. It also helps to reinforce and evidence assurance around existing controls, and to identify control areas which have not previously been considered.
- Roles, responsibilities and accountabilities for risk management could be clarified, as part of the new Strategy. Where officers have accountability, this should be proactively questioned and challenged, and the Corporation might consider making risk management part of overall performance and competency reviews, in terms of officers who have accountability for risk departmentally.
- As the Corporation engages in more procurement and commissioning processes, and enters different partnerships and ways of working, areas of existing good practice should be used as a benchmark. The Corporation may wish to consider undertaking a review of procurement and supply chain risks, to identify existing best practice, also areas for improvement.

3. Benchmarking

This section gives an indication of the City of London's risk maturity. We have assessed this using an adaptation of the criteria and categories within the Alarm model at Appendix 1, as well as using industry experience. The model measure five levels of risk maturity:

Level 1	Risk management is **engaging** with the organisation
Level 2	Risk management is **happening** within the organisation
Level 3	Risk management is **working** for the organisation
Level 4	Risk management is **embedded** and integrated within the organisation
Level 5	Risk management is **driving** the organisation

Against the following seven categories:

- Leadership and Management
- Strategy and Policy
- People
- Partnerships, Shared Risk and Resources
- Processes
- Risk Handling and Assurance
- Outcomes and Delivery

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

3.1 Leadership and Management **Board, Members and senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented.**	**2 Happening**
It is clear that there is a real appetite for improvement and that the potential value of risk management is understood at the top level. By implementing some of the recommendations within this report, such as reviewing the strategic risk register and formally setting the risk appetite, Level 3 and 4 could easily be achieved.	

3.2 Strategy and Policy **Risk management strategy and policies drawn up, communicated and being acted upon. Roles and responsibilities are established, and key stakeholders engaged.**	**2 Happening**
It has been acknowledged that some more work is required to fully embed risk management into all strategy and policy making processes. A Level 4 Embedded and Working could be achieved by completing and communicating the current review and refinement of the risk framework, and by ensuring risk handling is an inherent feature of all strategy and policy making processes.	

3.3 People **A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and responsibilities.**	**3 Working**
The City of London commits good resources to risk management and there is a high standard of risk knowledge and awareness among senior managers and Members. There are indications that the Corporation is becoming less risk averse in the areas of project management and innovation. By implementing a robust, face to face training programme through departments, Level 4 is easily achievable.	

3.4 Partnerships, Shared Risk and Resources **Risk with partners and suppliers is well managed and across organisational boundaries. Appropriate resources in place to manage risk.**	**3 Working**
There is some confidence in the governance of commissioned services such as Communities and Children's Services. If this could be soundly evidenced, and examples of good practice embedded further into all partnerships and other areas of shared risk, a Level 4 could be established.	

3.5 Processes **A framework of risk management processes is in place and used to support service delivery. Robust business continuity management system in place.**	**3 Working**
A lot of work has been done to develop a risk framework but it is acknowledged that the process outlined in the Risk Management Handbook needs to be further updated (in line with the recommendations in this report) and more work can be done on ensuring consistent processes are adopted across departments. It is generally felt that risk supports service delivery. To achieve a Level 5, Driving, in this area, the Corporation could consider using a risk-based performance measurement against business success.	

3.6 Risk Handling and Assurance **Some evidence that risk management is being effective in key areas. Performance monitoring is being developed. Capability assessed within a formal framework..**	**2 Happening**
Although internal controls are formally audited, there could be improvements to the assurance processes, through a robust assurance mapping exercise. There is not complete confidence in the alignment of risk to performance management: by ensuring that those accountable are measured on risk management as part of regular performance reviews, a Level 3-4 could be achieved.	

3.7 Outcomes and Delivery **Clear evidence that risk management is supporting the delivery of key outcomes in relevant areas.**	**3 Working**
All departments are encouraged to maintain risk registers and there are a number of groups, discussion forums and reporting mechanisms, so that risk management is clearly part of the "day job" to some extent. By aligning risk management more closely to business plans, performance reviews and to outcomes, a Level 4-5 is achievable.	

Summary

Clearly the City of London currently manages risk to a good standard, and the on-going review and implementation of the Improvement Plan will assist it further. There are identified recommendations and actions, including some within this report, which will allow the City to achieve measurable Level 4s in most areas; there is no reason why a sustained programme of improvement should not enable consistent Level 4s to 5s across risk management as a whole.

It could be beneficial for the Corporation to establish realistic targets of risk maturity against these, or other criteria, and to identify critical success factors in order to measure progress within six to twelve months.

Conclusion

The City of London Corporation has made good progress over the last two years, since the introduction of a corporate risk management approach, and now has a sound basis on which to build. The risk management knowledge and experience across departments appears to vary, so it is important not to assume a level of knowledge which may not exist. Conversely, it is also advisable to recognise and capitalise on existing good risk management skills, by encouraging debate and communication across departments.

Departmental engagement and communication will be essential to the success of any on-going improvements: Chief Officers and managers will need to see real benefits to their areas of business to remain engaged and proactive. For example, the wider implementation of the recent "blank paper" risk identification exercise would assist departments to identify relevant risks and controls in line with the standards and processes required by the City. This, along with the type of "hands on" training and production of pragmatic aide-memoires and guides suggested, would be of great benefit, and is more likely to maintain dynamism and momentum, and to produce constructive ideas.

Next Steps

This report is submitted for initial consideration and comment. Any required moderations and amendments will be made, before presenting the findings to the Chief Officer Summit Group on October 2nd. Any further changes can then be made before the final version of the report is issued.

This report and the recommendations therein will be owned by the City of London Corporation. Zurich is happy to discuss any further support required around developing required improvements.

Appendix A: Alarm Risk Maturity Model

	Leadership & Management	Strategy & Policy	People	Shared Resources	Processes	Assurance	Outcomes & Delivery
Level 5: Driving	Senior management uses consideration of risk to drive excellence through the business, and good RM is rewarded	RM capability in policy and strategy making helps to drive organisational excellence	The organisation has a good record of innovation and well-managed risk taking. Absence of a blame culture	Clear evidence of improved partnership delivery through RM	RM is well integrated with all key business processes and shown to be a key driver in business success	Considered risk taking part of the organisational culture	RM arrangements clearly acting as a driver for change and linked to plans and planning cycles
Level 4: Embedded and Working	Board and senior managers challenge the risks to the organisation and understand the risk appetite. Management leads RM by example	Risk handling is an inherent feature of policy and strategy making processes.	People are encouraged and supported to take managed risks through innovation. Regular training and clear communication of risk is in place	Sound governance arrangements are established. Partners support one another's RM capability and capacity	A framework of RM processes in place and used to support service delivery. Robust business continuity management in place	Evidence that RM is being effective and useful for the organisation and producing clear benefits. Evidence of innovative risk taking	Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement
Level 3: Working	Senior managers take the lead to apply RM thoroughly across the organisation. They own and manage a register of key strategic risks and set the risk appetite	RM principles are reflected in the organisation's strategies and policies. Risk frameworks is reviewed, defined and communicated	Core group of people have the skills and knowledge to manage effectively and implement the RM framework. Staff aware of key risks and responsibilities	Risk with partners and suppliers is well managed and across organisational boundaries.	RM processes used to support key business processes. Early warning indicators and lessons learnt are reported.	Evidence that RM is effective in key areas. Capability assessed within a formal assurance framework and against best practice standards	Clear evidence that RM is supporting delivery of key outcomes in all relevant areas
Level 2: Happening	Board/Senior managers take the lead to ensure that approaches for addressing risk are being developed and implemented	RM strategy and policies drawn up. Roles and responsibilities established, key stakeholder engaged	Suitable guidance is available and a training programme has been implemented to develop risk capability	Approaches for addressing risk with partners are being developed and implemented. Appropriate tools and resources for risk identified	RM processes are being implemented and reported upon in key areas. Continuity arrangements are being developed in key service areas.	Some evidence that RM is being effective. Performance monitoring and assurance reporting being develop.	Limited evidence that RM is being effective in, at least. The most relevant areas
Level 1: Engaging	Management are aware of the need to manage uncertainty and risk and have made resources available to improve	Need for a risk strategy and risk-related policies has been identified and accepted. The RM system may be undocumented	Key people aware of the need to understand risk principles and increase competency in RM techniques	Key people aware of areas of potential risk in partnerships and the need to allocate resources to manage risk	Some stand-alone risk processes have been identified and are being developed.	No clear evidence that RM is being effective	No clear evidence of improved outcomes