

# CHESHIRE EAST COUNCIL

## REPORT TO: CABINET

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<b>Date of Meeting:</b>	31 October 2011
<b>Report of:</b>	Strategic Director (Places and Organisational Capacity)
<b>Subject/Title:</b>	Risk Management Update
<b>Portfolio Holder:</b>	Councillor David Brown

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### 1.0 Report Summary

- 1.1 Risk management is a part of the overall management responsibility of all managers but there is clear responsibility and accountability for Cabinet in the operation of the Council business which directly involves issues of risk management. The Audit and Governance Committee is responsible for providing an independent assurance on the effectiveness of risk management processes, and control arrangements. This report provides Cabinet with an oversight of the effectiveness of risk management processes and enables Cabinet Members to seek assurance about the effectiveness of control arrangements as Portfolio Holders. Attached within the report is a summary of the management of the key corporate risks so that Cabinet may satisfy itself that the risks are being adequately managed, is able to comment on mitigation, and ensure that risks are fully considered when making decisions.

### 2.0 Decision Requested

- 2.1 Cabinet is requested to note the Key Corporate Risks provided in **Appendix A**. Cabinet will receive an annual risk report providing progress on all identified key risks. In addition, Portfolio Holders will be updated regularly on the management of risks relating to their individual area via the Risk Owners.

### 3.0 Reasons for Recommendations

- 3.1 In order to seek assurance on the effectiveness of the Council's risk management arrangements, Cabinet needs to establish how key risks are identified, what the key risks are and how they are evaluated, managed and reviewed.

### 4.0 Wards Affected

- 4.1 All

### 5.0 Local Ward Members

- 5.1 N/A

## **6.0 Policy Implications including – Carbon Reduction - Health**

6.1 Risk Management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

## **7.0 Financial Implications (Authorised by the Director of Finance and Business Services)**

7.1 None

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

8.1 As well as the need to protect the Council's ability to achieve its strategic aims, and to operate its business, general principles of good governance require that it should also identify risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework, and this report is aimed at addressing that requirement.

## **9.0 Risk Management**

9.1 This report relates to overall risk management; Cabinet should know about the most significant risks facing the Council and be assured that the risk management process is working effectively.

## **10.0 Background and Options**

10.1 It is considered good practice to include an update to Cabinet periodically on progress against key risks. This monitoring should summarise general direction of travel in order to clearly demonstrate progress being made on specific risk items. If all is well then no discussion may be required; if all is not well then it is easy to identify the issues to pursue.

10.2 As part of the Council's risk management framework, risks are reviewed by the Corporate Risk Management Group and the effectiveness of the risk management framework is reviewed by the Audit and Governance Committee. The Corporate Risk Register is reviewed and discussed in detail by the Corporate Risk Management Group.

10.3 Attached at **Appendix A** is a summary of the Council's Key Corporate Risks and the net risk rating for each risk, (showing where we are at now). This report provides tracking of the direction of travel of risks, with a commentary for any risks that change. This can then be utilised as a tool to ensure that any risks not being managed to an acceptable level are monitored, reported on and escalated as required.

10.4 The assessment methodology used to score the risks is attached at **Appendix B** to this report for information.

## **11.0 Other Work undertaken on Risk Management**

### **11.1 Risk Tolerance / Appetite**

The Corporate Management Team (CMT) agreed that the Council should articulate its risk appetite and define key risk area tolerance statements. The Risk and Business Continuity Team will work with Directors and Heads of Service to define key factors and then define limits. The ideal approach is to set the tolerance levels in line with the Council's strategic and operational plans as this will provide the advantage of clarity for risk taking and risk management reporting.

11.2 A number of workshops will be held with the Directors and their relevant Management Teams during the business planning process to review collated risk registers and get an overview of the risk exposure that the business areas face and to allocate a risk tolerance level using a scale of 1 to 5 (1 being Zero risk appetite and 5 being High risk appetite). For each business area a qualitative high level statement of risk preferences can then be defined. This is a shifting process that will become clearer after the initial meetings but an example of what this may look like is attached at **Appendix C** to this report.

### **11.3 Internal Audit Liaison**

The Risk and Business Continuity Officer recently attended an Internal Audit Team meeting to give an update on the risk management process and to ensure that work on risk and audit is joined up.

### **11.4 Risk Management Briefing to Sustainable Communities Scrutiny Committee**

The Risk and Business Continuity Officer recently gave a presentation on risk management to the Sustainable Communities Scrutiny Committee. The aim of the session was to provide the Committee with the core information required for a basic understanding of risk management within Cheshire East Council to assist the Committee in carrying out its responsibilities as a critical friend.

### **11.5 Working Group of the Health and Wellbeing Board Shadow Board**

The Risk Officer has been assisting the Working Group for the Shadow Health and Wellbeing Board to identify significant risks and draft a risk register. It is intended that the Risk Officer will facilitate a risk workshop for the Health and Wellbeing Board once it is established.

## **12.0 Access to Information**

12.1 The background papers relating to this report can be inspected by contacting the report writer. A copy of the Corporate Risk Register can be found on the Centranet under Departments, Compliance, [Cheshire East Risk Register](#).

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## Appendix A

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
KCR1	<b>Service Delivery Prioritisation:</b> Risk that poor management of service prioritisation causes ineffective and inefficient delivery of services such that we fail to achieve our key priorities and corporate objectives.	Erika Wenzel, Chief Executive	Cllr Wesley Fitzgerald	<b>6</b> Medium	↓	The net score has decreased from a 12 high to 6 medium risk. The likelihood has decreased from a 3 (likely) to a 2 (unlikely) as the Council's service delivery planning and performance management arrangements are now further embedded and, because of this, the impact has also been spread, such that it has reduced from a 4 (critical impact) to a 3 which is a major impact on the corporate objectives.
KCR2	<b>Financial Control:</b> Risk that the Council fails to manage expenditure within budget and maintain an adequate level of reserves, thereby threatening financial stability and service continuity and preventing the achievement of corporate objectives.	Lisa Quinn, Director of Finance and Business Services	Cllr Michael Jones	<b>12 High</b>	↔	<i>To be reviewed by the CRMG.</i> Reviewed October the overall net risk rating remained 12 high but the mitigating action and controls have been updated to reflect activity.
KCR3	<b>Community Safety:</b> Risk that ineffective management of community safety causes poor perception and poor provision of safety, leading to an increase in crime and anti-social behaviour and impacting on our ability to enhance the Cheshire East environment and improve opportunities for all.	John Nicolson, Strategic Director (Places and Organisational Capacity)	Cllr Rachel Bailey	<b>4 Low</b>	↓	The risk description around Community Safety has been amended to include 'crime'. The net risk rating has been reduced from 6 Medium to 4 Low. Additional actions now in place especially around sub-regional working and mainstreamed activity reduce the impact to 2 as any adverse impact would be fairly local (affecting only 2 or 3 wards) and be short lived. This will be removed from Key Corporate Risk Register and monitored at Directorate Level.

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
KCR4	<b>Vulnerable Children:</b> Failure to recognise and act accordingly to safeguard and mitigate the risks of significant harm to children, resulting in an inability to ensure better outcomes in life and possible death.	Lorraine Butcher, Strategic Director (Children, Families & Adults)	Cllr Hilda Gaddum	12 High	↔	No change to the risk rating but the mitigating action and controls have been updated to reflect activity.
KCR5	<b>Vulnerable Adults:</b> Failure to recognise and act accordingly to safeguard and mitigate the risks to vulnerable adults, resulting in an inability to ensure better outcomes in life for the most vulnerable, undermining the reputation of the Council and possibly resulting in significant legal and financial consequences.	Lorraine Butcher, Strategic Director (Children, Families & Adults)	Cllr Roland Domleo	12 High	↔	Reviewed September 2011, risk remains High.
KCR6	<b>Equality Gap:</b> Risk that we fail to accurately recognise community needs and/or address those needs by taking the most appropriate action to close the equality gap across Cheshire East, thus preventing us from improving life opportunities and health for all.	Lorraine Butcher, Strategic Director (Children, Families & Adults)	Cllr Roland Domleo / Cllr Hilda Gaddum / Cllr David Brown	12 High	↑	<i>To be reviewed by the CRMG.</i> Reviewed September 2011, change in net risk rating from 9 medium to 12 high risk. The net likelihood rating has increased from a 3 to a 4 because the focus through specific resource has reduced and capacity through services generally to undertake Equality work is reduced (although confidence has increased).
KCR7	<b>Partnerships:</b> Risk that we fail to effectively engage with partners (third parties/private sector/voluntary sector) and/or lack the ability to fund partnerships, resulting in lack of service delivery affecting service users, poor reputation, and damage to future engagement opportunities and our ability	Vivienne Quayle, Head of Policy & Performance	Cllr David Brown	6 Medium	↔	Reviewed July 11 no change to net risk rating.

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
	to be an excellent council, working with others to deliver for Cheshire East.					
KCR8	<b>Health Partnerships:</b> Risk that we fail to integrate with Health partners, resulting in fewer opportunities to maximise health benefits and reduced efficiency gains, and affecting our ability to meet our corporate objectives to work with others to improve health.	Lorraine Butcher, Strategic Director (Children, Families & Adults) / Heather Grimbalderton, Director of Public Health	Cllr Roland Domleo	12 High	↔	Reviewed July 11 no change to net risk rating.
KCR9	<b>Education:</b> Risk that we fail to manage and maintain effective working relationships with all educational settings, resulting in potentially increasing an inability to maintain educational standards or to intervene where necessary. This will impact on our ability to improve life opportunities for children and young people in Cheshire East.	Lorraine Butcher, Strategic Director (Children, Families & Adults)	Cllr Hilda Gaddum	4 Low	↔	Newly articulated corporate risk for Education. Existing controls to manage this risk include strong relationships with Schools and Partners. To be removed from Key Corporate Risk Register and monitored at Directorate Level.
KCR10	<b>Workforce:</b> Risk that we fail to retain and motivate an effective and engaged workforce, such that the staffing infrastructure fails to support the Council in being excellent and achieving the corporate objectives.	Paul Bradshaw, Head of HR & Organisational Development	Cllr Peter Mason	12 High	↑	The net risk score has increased from 8 to 12 due to an increase in the likelihood of the risk occurring from a 3 to a 4. This increase in likelihood is due to the consultation with all staff about a review of terms and conditions of employment.

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
KCR11	<b>Opportunities:</b> Risk that we fail to position the Authority to maximise opportunity, resulting in an inability to build up potential, capability and resource to respond to future needs and a sustainable Cheshire East.	Erika Wenzel, Chief Executive	Cllr Wesley Fitzgerald	4 Low	↓	The net score has reduced from a 9 medium risk to a 4 low risk. The likelihood of the net risk has decreased from a 3 (likely) to a 2 (unlikely) because the Council's business planning, performance management and reporting arrangements are further embedded such that we are more able to recognise and take opportunities. As a result the impact has also been spread such that it has reduced from a 3 (major impact) to a 2 which is a significant impact on the corporate objectives.
KCR12	<b>Long-Term Planning:</b> Risk that we fail to plan effectively for long term success, threatening the future viability and sustainability of Cheshire East.	Erika Wenzel, Chief Executive	Cllr Wesley Fitzgerald	6 Medium	↓	The net score has decreased from a 9 medium to 6 medium risk. The likelihood of the net risk has decreased from a 3 (likely) to a 2 (unlikely) because the Council's service delivery planning processes and performance management arrangements are further embedded making it easier to plan for the longer term.
KCR13	<b>Transformation:</b> Risk that we fail to manage the scale of change of transformation projects to effectively and efficiently shape our services, deliver essential benefits, resulting in a possible loss of continual improvement and a possible inability to deliver our key corporate objectives.	John Nicholson. Strategic Director (Places and Organisational Capacity)	Cllr Wesley Fitzgerald	12 High	↔	No change. To be reviewed with John Nicholson as new Risk Owner.

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
KCR14	<b>Information, Research &amp; Business Intelligence:</b> Risk that we fail to invest in / make effective use of information / business intelligence, which leads to poor decision making, and undermines our ability to effectively and efficiently deliver the corporate objectives.	Vivienne Quayle, Head of Policy & Performance	Cllr David Brown	12 High	↔	No change to the net risk rating but the mitigating action and controls have been updated to reflect activity.
KCR15	<b>Reputation:</b> Risk that consideration is not given and management action is not taken, to effectively maintain the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to deliver the corporate objectives.	Vivienne Quayle, Head of Policy & Performance	Cllr David Brown	9 Medium	↓	<i>To be reviewed by the CRMG.</i> The overall net score of this risk has reduced from a 12 high risk to a 9 medium risk. This is because the impact of this risk has reduced from a 4 to a 3 because the Comms Team have been able to demonstrate mitigation of issues which could have had a severe impact on the reputation of the Council.
KCR16	<b>External Environment:</b> That development and changes as a result of government policy and reviews compromise the Council's ability to deliver its key strategic aims.	Erika Wenzel, Chief Executive	Cllr Wesley Fitzgerald	12 High	↔	No change to net risk rating. Reviewed by CRMG and agreed that this risk should remain as high risk until several new legislative bills had been properly digested and emerging issues fully understood.
KCR17	<b>Industrial Action:</b> The risk that due to changes in work and pension terms and conditions, industrial action is taken by key staff, or action has a knock-on affect on the availability of key staff, in priority areas which may affect critical services delivered by the Council, curtail operations and affect the Council's ability to deliver its corporate objectives. This may also have adverse financial and	Paul Bradshaw, Head of HR & Organisational Development	Cllr Peter Mason	12 High	↑	Emerging risk. This has been rated as a 3 for likelihood (Likely) and a 4 for impact (critical impact). This is a risk that we have to tolerate rather than treat directly. We have positive relations with trade unions and there are contingency arrangements in place and being considered.

Risk Ref	Risk Description	Agreed Risk Owner	Cabinet Member Strategic Lead	Net Risk Rating	Direction of Travel	Comments
	reputational impact on the Council.					

Scoring chart for IMPACT

Appendix B

	Factor	Score	Effect on Corporate Objectives	Effect on Service/Project	Reputation	Personal Safety	Financial Implications
THREATS	<b>Critical</b>	<b>4</b>	Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs.	<b>Service</b> - Major loss of several important areas. Disruption 5+ Days <b>Project</b> - Complete failure or extreme delay (3 months or more)	Adverse and persistent national media coverage Adverse central government response	Death	> £1m <b>Or</b> >£5m for <b>corporate risks</b>
	<b>Major</b>	<b>3</b>	Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.	<b>Service</b> - Complete loss of an important area. Major effect to services in one or more areas for a period of weeks Disruption 3-5 Days <b>Project</b> - Significant impact on project or expected benefits fail/ major delay (2-3 months)	Adverse local publicity of a major and persistent nature Adverse publicity in professional/municipal press arena	Major injury	Between £1m and £500,000
	<b>Significant</b>	<b>2</b>	Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.	<b>Service</b> - Major effect on an important area or adverse effect on one or more areas for a period of weeks Disruption 2-3 Days <b>Project</b> - Adverse effect on project/ significant slippage (3 weeks–2 months)	Adverse local publicity /local public opinion aware	Severe injury	Between £500,000 and £100,000
	<b>Minor</b>	<b>1</b>	Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect.	<b>Service</b> - Brief disruption of important area Significant effect to non-crucial service area Disruption 1Day <b>Project</b> - Minimal impact to project/ slight delay less than 2 weeks	Complaint from individual/small group	Minor injury or discomfort	Less than £100,000
OPPORTUNITIES	<b>Exceptional</b>	<b>4</b>	Result in major increase in ability to achieve one or more strategic objectives	Major improvement to service, generally or across a broad range	Positive national press National award or recognition by national government	Major improvement in health, welfare & safety	Producing more than £50,000
	<b>Significant</b>	<b>3</b>	Impact on some aspects of the achievement of one or more strategic objectives	Major improvement to service or significant improvement to critical service area	Recognition of successful initiative Sustained recognition and support from local press	Significant improvement in health, welfare & safety	Producing up to £50,000

### Scoring Chart for LIKELIHOOD

Factor	Score	THREATS - Description	Indicators	OPPORTUNITIES (Favourable Outcome) - Description	Indicators
Very likely	4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
Likely	3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.
Very unlikely	1	<10% chance of occurrence	Rarely/never before	<10% chance of occurrence	Has happened rarely/never before

### Risk Matrix – Likelihood and Impact

Likelihood						THE RISK MATRIX (With Scores)			
Very Likely	4	LOW	MEDIUM	HIGH	HIGH	4	8	12	16
Likely	3	LOW	MEDIUM	MEDIUM	HIGH	3	6	9	12
Unlikely	2	LOW	LOW	MEDIUM	MEDIUM	2	4	6	8
Very Unlikely	1	LOW	LOW	LOW	LOW	1	2	3	4
Impact		Minor 1	Significant 2	Serious 3	Major 4				

**EXAMPLE ONLY**Service Area Risk Appetite and Tolerance Matrix for **POLICY & PERFORMANCE**

Service Area	Risk Appetite Statement	Risk Tolerance Level
<b>Communications and Marketing</b> <ul style="list-style-type: none"> <li>• Strategic communications advice</li> <li>• Media Relations and evaluation</li> <li>• Creative Services procurement</li> <li>• Photography procurement</li> <li>• Communications project management</li> <li>• Delivery of marketing campaigns</li> <li>• Crisis communications</li> <li>• Online &amp; social media communications</li> <li>• Cheshire East News</li> <li>• Internal Communications</li> <li>• Reputation management</li> </ul>	<b>Modest risk appetite</b> as we try to seek a positive balance in external media coverage and messages	<b>3 – Modest Risk Appetite:</b> The Council <b>is willing to accept some risks in certain circumstances</b> that may result in reputation damage, financial loss or exposure, if it is considered that the overall balance of the risk and associated reward to the Council is acceptable.
<b>Customer Services</b> <ul style="list-style-type: none"> <li>• Customer Service Contact</li> <li>• Web Team</li> <li>• Customer Service Delivery</li> </ul>	<b>Low risk appetite</b> to take the lead in developing and embedding a culture of customer service excellence but may accept some risk as early adopters of solutions or developments that meet the needs of our customers.	<b>2 – Low Risk Tolerance:</b> The Council <b>is not willing to accept risks in most circumstances</b> that may result in reputation damage, financial loss or exposure; <b>even</b> if it is considered that the overall balance of the risk and associated reward to the Council is acceptable.
<b>Compliance</b> <ul style="list-style-type: none"> <li>• Freedom of Information / RIPA / Data Protection</li> <li>• Corporate Compliments, Suggestions &amp; Complaints</li> <li>• Risk Management</li> <li>• Business Continuity</li> </ul>	<b>Zero risk appetite</b> as compromise in these areas would not be acceptable	<b>1 – Zero Risk Tolerance:</b> The Council <b>is not willing to accept risks under any circumstances</b> that may result in reputation damage, financial loss or exposure; <b>even</b> if it is considered that the overall balance of the risk and associated reward to the Council is acceptable.
<b>Performance &amp; Partnerships</b> <ul style="list-style-type: none"> <li>• Planning and Performance</li> <li>• Partnerships</li> </ul>	<b>Moderate risk appetite</b> as the Council plans to achieve its objectives and priorities through service delivery and partnerships for the people of Cheshire East	<b>4 – Moderate Risk Tolerance:</b> The Council <b>is willing to accept risks</b> that may result in reputation damage, financial loss or exposure, if it is considered that the overall balance of the risk and associated reward to the Council is acceptable.

Risk Tolerance Scale				
High Risk Tolerance 5	Moderate Risk Tolerance 4	Modest Risk Tolerance 3	Low Risk Tolerance 2	Zero Risk Tolerance 1

