CHESHIRE EAST COUNCIL

Audit and Governance Committee

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Date of meeting: 31st January 2012
Report of: Strategic Director Places and Organisational Capacity
Title: Risk Management Update Report
Portfolio Holder: Councillor David Brown (Performance and Capacity)

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1.0   Report Summary

1.1   The Audit and Governance Committee has a key role in providing an oversight of the effectiveness and 'embedding' of risk management processes, and in testing and seeking assurance about the effectiveness of control and governance arrangements. In order to form an opinion on these arrangements, it needs to establish how key risks are identified, evaluated and managed, and the rigour and comprehensiveness of the review process. The purpose of this paper is to provide the Audit and Governance Committee with a summary of the key corporate risks and risk management work undertaken since the last report so that it may undertake this oversight.

2.0   Recommendation

2.1   The Audit and Governance Committee is requested to consider and review the update report on risk management which is for information.

3.0   Reasons for Recommendation

3.1   In order to form an opinion on the effectiveness of the Council's risk management arrangements, the Audit and Governance Committee 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 and 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 Borough Treasurer)

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; the Audit and Governance Committee should know about the most significant risks facing the Council and be assured that the risk management process is working effectively.

10.0   Background

10.1   It is considered good practice to include an update to Audit and Governance Committee at every meeting 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. A summary of the Council's Key Corporate Risks is provided below:

Risk Ref	Risk Title	Risk Owner	Strategic Lead	Net Risk Rating	Direction of Travel
KCR1	Service Delivery Prioritisation	Erika Wenzel	Cllr Wesley Fitzgerald	6 Medium	↓
KCR2	Financial Control	Lisa Quinn	Cllr Michael Jones	12 High	↔
KCR3	Community Safety	John Nicholson	Cllr Rachel Bailey	4 Low	↓
KCR4	Vulnerable Children	Lorraine Butcher	Cllr Hilda Gaddum	12 High	↔
KCR5	Vulnerable Adults	Lorraine Butcher	Cllr Roland Domleo	12 High	↔
KCR6	Equality Gap	Lorraine Butcher	Cllr R Domleo/Cllr H Gaddum/Cllr D Brown/Cllr Clowes	12 High	↑
KCR7	Partnerships	John Nicholson	Cllr David Brown	6 Medium	↔
KCR8	Health Partnerships	Lorraine Butcher	Cllr Janet Clowes	12 High	↔
KCR9	Education	Lorraine Butcher	Cllr Hilda Gaddum	9 Medium	↑
KCR10	Workforce	Paul Bradshaw	Cllr Peter Mason	12 High	↔
KCR11	Opportunities	Erika Wenzel	Cllr Wesley Fitzgerald	4 Low	↔
KCR12	Long-Term Planning	Erika Wenzel	Cllr David Brown	6 Medium	↓
KCR13	Organisational Change	Erika Wenzel	Cllr Wesley Fitzgerald	8 Medium	↓
KCR14	Information, Research Business Intelligence	John Nicholson	Cllr David Brown	12 High	↔
KCR15	Reputation	John Nicholson	Cllr David Brown	9 Medium	↓
KCR16	External Environment	Erika Wenzel	Cllr Wesley Fitzgerald	12 High	↔
KCR17	Industrial Action	Paul Bradshaw	Cllr Peter Mason	12 High	Removed

10.2   Since the previous risk management update report to the Audit and Governance Committee changes have been made to the ratings for the following key corporate risks:

KCR6 Equality Gap

"Risk that we fail to adequately recognise community difference and/or address the specific needs of our communities. Or to take the most appropriate action that would address the equality gap within these communities, leading to us not improving life opportunities and health and well being for all."

The overall net risk rating increased from a 9 Medium Risk to a 12 High Risk at the end of September and remained at 12 High Risk at the review undertaken at the beginning of January. This was due to the net likelihood rating increasing from a 3 to a 4, very likely, as the focus through specific resource had reduced and capacity through services generally to undertake equality work was reduced (although confidence had increased). It is thought that the likelihood of this risk will decrease once the statutory duty to publish our equality objectives by April 2012 has been met.

KCR9 Education

"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"

The likelihood and impact of the risk being realised after taking account of the existing controls in place to mitigate this increased from a 2 to 3 giving an overall net risk rating of 9 Medium Risk. Although these controls are in place and having an effect, the number of schools converting to academy status and reduction of other control measures has the potential to further reduce the Authority's influence with schools. This could restrict our ability to intervene and prevent schools falling below expected standards. In addition, further in year announcements from the Government/DFE (e.g. Teaching Schools) have required area assessment of the levels of risk. If standards in schools drop this could then have an impact on our ability to be an excellent council, and could reduce achievement and life opportunities for some students.

KCR13 Organisational Change

"Risk that we fail to manage and address the scale of change to effectively and efficiently shape our services, deliver essential benefits and savings, resulting in a possible loss of continual improvement and a possible inability to deliver our key corporate objectives"

The definition and title of this risk have been updated to reflect current thinking. After consideration of the mitigating action including the implementation of a lean business improvement programme to deliver improvement and efficiencies in chosen business areas, the likelihood of this risk materialising has reduced from a 3 very likely to a 2 likely. This has resulted in a decrease to the overall net score from 12 High Risk to 8 Medium Risk.

KCR15 Reputation

"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

The overall net risk rating for this risk decreased between September and January from 12 High Risk and currently remains at 9 Medium Risk. The likelihood of this risk was reduced as the Communications and Media Team had been able

confidence, threatening the stability of the Council and our ability to deliver the corporate objectives." to demonstrate the consideration and mitigation of issues which could have had have a severe impact on the reputation of the Council.

10.3 As expected, the key corporate risk 17 entitled Industrial Action materialised as an issue at the end of November and so was removed as a risk from the key corporate risk register. Contingency arrangements and business continuity plans in place mitigated the impact of this risk as it became an issue. This will be monitored as it may re-emerge as a risk again at a later date.

10.4 For information, risks reviewed during this period that remained within the previous rating are as follows:-
- KCR2 Financial Control
- KCR4 Vulnerable Children – Whilst the overall risk rating has not changed, the likelihood has decreased within the rating of 3 (very likely) to the lower end of the 3 (as reflected on the heat map). This is because a lot of the controls in place can be evidenced through the results of the Ofsted inspections.
- KCR5 Vulnerable Adults
- KCR8 Health Partnerships
- KCR11 Opportunities
- KCR16 External Environment

10.5 For ease of reference a risk heat map showing the direction of travel for the risks from September 2011 to January 2012 is attached at *Appendix A* to this report.

10.6 The assessment methodology used to score the risks is also attached at *Appendix B* to this report for consistency and information purposes.

11.0 Other Work undertaken on Risk Management

11.1 Work is being undertaken by the Corporate Risk Management Group to identify significant cross-cutting risks and collate these on a register. Examples of these risks are around succession planning, technological opportunities, carbon reduction, data protection and freedom of information.

11.2 A briefing was given to the Scrutiny Chairmen's Group on the use of risk management as a tool to inform Committee work programmes.

11.3 Work is being undertaken to ensure that risk assessment is an integral part in the development of our Business Plan and to assist individual services in identifying, analysing and prioritising service risks on local risk registers as part of the service planning process.

12.0 Access to Information

12.1 The background papers relating to this report can be inspected by contacting the report writer:

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