

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of meeting: 27 September 2013
Report of: Performance and Risk Manager
Title: Risk Management Update Report
Portfolio Holder: Councillor David Brown

1.0 Report Summary

1.1 This is a summary of risk management work undertaken since the previous meeting of the Audit and Governance Committee. 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 report is to provide the Audit and Governance Committee with a summary of recent risk management work so that it may undertake this oversight.

2.0 Decision Requested

2.1 The Audit and Governance Committee is requested to note and comment on the update report on risk management, which is for Members' information.

3.0 Reasons for Recommendations

3.1 Risk management is central to good governance and effective strategic management. Cheshire East Council is publicly accountable and must be able to demonstrate effective management of the kinds of risks which threaten the achievement of its strategic objectives, the effectiveness of its operations, the reliability of its financial reporting, and the security and value of its assets. Risk Management provides a structured, consistent and continuous process across the whole of Cheshire East Council for identifying, assessing, deciding on responses to, and reporting on opportunities and threats that affect the achievement of the Council's 3 Year Plan objectives and outcomes.

3.2 The benefit of a strong risk management framework from a governance viewpoint is that it gives a greater level of confidence that management have properly and adequately fulfilled their responsibility in operating an effective system of internal control. This in turn gives confidence to both Members and staff to support a higher appetite for risk, at a time when major change is necessary and desirable.

4.0 Cheshire East Council 3 Year Plan – Corporate Risk Update

4.1 Setting out the Council's vision and medium term priorities as part of the 3 Year Council Plan brings us new risk challenges and opportunities. Cabinet and Managers will have a significant challenge in ensuring that the vision, culture and organisational structure are fully aligned, as the Council works as one to increase efficiency and undertake major change programmes to innovate as effectively and cost efficiently as possible. At a time of considerable and constant change, when managers are dealing with many competing demands, it is possible to miss the risks that arise suddenly or unexpectedly. Risk identification and assessment is therefore an integral part of the development of our 3 Year Council planning processes. Consideration and response to existing and new threats, and the ability to recognise and seize new opportunities, is fundamental to achieving the future outcomes that we want.

- 4.2 It is considered good practice to include an update to Audit and Governance Committee at every meeting on progress against key risks. Attached at **Appendix A** is a summary of the Council's Key Corporate Risk descriptions and the net risk rating for the risks scored to date. The summary provides a 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.
- 4.3 At its meeting on 16 August 2013, the Corporate Risk Management Group discussed and considered the risk ratings for the following key risks:-
Corporate Risk 3 – Strategic Leadership and Management (Threat)
Corporate Risk 9 – Workforce (Threat)
Corporate Risk 11 – Commissioning and Service Delivery Chains (Threat)
Corporate Risk 13 – New Responsibilities for Public Health and Wellbeing (Threat)
- 4.4 As detailed on **Appendix A** and shown on the heat map attached at **Appendix B**, six of the key corporate risks, CR1 Political, CR3 Leadership and Management, CR4 Financial Control, CR9 Workforce, CR11 Commissioning and Service Delivery Chains and CR18 Legal, have been assessed as having a 'High' net risk rating. The Corporate Risk Management Group has requested further work on the accuracy of the risk description for CR13 New Responsibilities for Public Health and Wellbeing. The Group also agreed to increase the likelihood rating for corporate risk 9 – Workforce, increasing the net risk rating to 12 High.
- 4.5 Work is ongoing to review and score the remaining opportunities and threats as identified.
- 4.6 The assessment methodology used to score the risks is attached at **Appendix C** to this report for information.
- 5.0 Wards Affected**
- 5.1 All
- 6.0 Local Ward Members**
- 6.1 All
- 7.0 Policy Implications**
- 7.1 Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective implementation are considered within service risk registers and as part of the risk management framework.
- 8.0 Financial Implications (Authorised by the Director of Finance and Business Services)**
- 8.1 There are no financial implications in relation to this report. However, a risk around financial control is included as a corporate risk.
- 9.0 Legal Implications (Authorised by the Borough Solicitor)**
- 9.1 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.
- 10.0 Risk Management**
- 10.1 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 framework is operating effectively. The content of this report aims to mitigate the following risks:-

Key Risks
That Cheshire East Council fails to properly develop, implement and demonstrate an effective risk management framework
That Cheshire East Council fails to apply its risk management policy consistently across the Council
That Cheshire East Council fails to recognise risk or make correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities due to poor risk management

11.0 Background and Other Risk Work

11.1 Project Management

The Risk Manager has been working alongside the Programme Management Office to provide advice and guidance on risk management, as part of the Council's project and programme management methodology. Risk registers are included as part of the standard templates for project managers and an assessment guide for significant projects has been produced. The Risk Manager recently presented a master class for project managers on 'Risk Management and Objective Setting' as this was identified as an area that could be strengthened as part of the continuous improvement of the programme methodology.

11.2 Business Unit Planning

Risk register templates are also included as part of the standard planning documentation for Business Units, as part of the 3 year planning for unit areas. Advice and guidance on this has been made available on the Centranet for managers and staff. A cross-section of risk registers from the business unit plans were considered by the Corporate Risk Management Group. There were a number of issues with the quality of both the Business Unit Plans and the associated risk registers which were to be raised through the Corporate Leadership Board.

11.3 Specialist Risk Areas – Insurance

11.3.1 The Corporate Risk Management Group received an overview of the recently introduced 'Ministry of Justice Reforms', the implications for Services and the cost savings opportunities arising from these reforms. These changes will affect the way that Employers Liability and Public Liability claims involving personal injury are handled across the insurance industry and will affect personal injury claims with an incident date of 31st July 2013 onwards, or disease claims notified from this date. These may be claims from members of the public and/or from employees but in both cases, the claims now have to be made through a solicitor, submitted via a national electronic Claims Portal and will be subject to a fixed legal cost fee structure. Indications received from industry commentators suggest that personal injury claims settlements under the new regime should generate a cost saving of circa 30% given the lower, fixed legal costs structure. In practical terms, there will be no alteration in the extent of information that is required from services, but we do now need to ensure that all relevant documentation is received and processed within much shorter timescales to ensure that where possible the lower range of legal costs will apply.

11.3.2 The Corporate Insurance Team have now developed a suite of reports to provide managers with information relating to claims involving their services. The aim of the distribution of these reports, whilst providing a useful communication tool between the insurance team and the services themselves, is also to provide a focus for service managers to allow them to assimilate the information provided and address any improvements that may be evident in their processes and procedures. Availability of these specific, tailored reports should aid improvements in risk assessment and awareness and, in time, should contribute to a reduction in the volume of successful claims made against the authority, thereby improving the financial position of the Council.

11.4 Specialist Risk Areas – Business Continuity

11.4.1 All major services have now identified their critical activities with high risk services (Adult and Children etc) developing Business Continuity plans. The next phase of the work, which is being co-ordinated by the Joint Cheshire Emergency Planning Team, will concentrate on developing Business Continuity plans for other key services, exploring the potential for embedding of Business Continuity Management planning into the business planning cycle for 2014-15, as well as the development of a Corporate Cheshire East Business Continuity plan. The purpose of this plan will be to identify measures that would be taken in the event of a major cross service business interruption e.g. loss of a corporate building. A Senior Crisis Management Team will be established to determine priorities should the authority be unable to deliver all of its critical functions at once.

11.4.2 Joint working is also taking place with Cheshire West and Chester Council to ensure Shared Services e.g. IT and Finance have appropriate Business Continuity plans in place to deliver the services they provide.

11.5 Alternative Delivery Model Risks

11.5.1 The Council's risk procedures are being updated to ensure there are adequate arrangements on risk management in relation to new and alternative delivery models. The Council needs to meet two key responsibilities for each new delivery model vehicle:-

- provide assurance that the risks associated with working as a new vehicle have been identified and prioritised and are being appropriately managed
- ensure that the new vehicle has effective risk management procedures in place

11.5.2 Each new vehicle must ensure that risk management is embedded in the business and that the risk management methodology conforms to good practice. The specific challenge is being clear about where the new vehicle's objectives overlap, and can be aligned, to address a common goal with common risks, as opposed to where they are fully independent. Consideration will need to be given to matters such as:-

- Reporting on shared key risks to management
- Defining arrangements for joint risk registers or escalating risks from the new vehicle to the Council's risk register
- Facilitating prioritisation of action plans

11.5.3 In considering the alternative models we need to think about risk appetite. This is not a single, fixed concept. There will be a range of appetites for different risks which need to align and these appetites may well vary over time. The risk appetite must take into account differing views of all stakeholders at a strategic, tactical and operational level. It needs to be measurable and should be developed in the context of both the Council's and the new vehicle's risk management capability and risk maturity. Risk appetite from a strategic level (Council's viewpoint) is proportionately more about risk taking than exercising control, while at the operational level (New Vehicle's viewpoint) the proportions are broadly reversed.

12.0 **Access to Information**

12.1 Risk Management Policy

The updated Risk Management Policy was approved by Cabinet at its meeting on 22 July 2013. The background papers relating to this report can be inspected by contacting the report writer:

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