

# CHESHIRE EAST COUNCIL

## REPORT TO: AUDIT & GOVERNANCE COMMITTEE

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**Date of meeting:** 26 June 2014  
**Report of:** Judith Tench, Corporate Resources and Stewardship  
**Title:** Annual Report on Risk Management from the Corporate Risk Management Group  
**Portfolio Holder:** Councillor David Brown

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### 1.0 Report Summary

- 1.1 In February 2013 the Council set out its three year plan to becoming a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of austerity. This approach has provided a platform to redefine and reinvent the Council in a systematic way. The focus has been to deliver the services that are needed by Cheshire East residents and businesses in a sustainable, quality and cost effective way.
- 1.2 This philosophy is about more than simply reducing costs through arranging cheaper provision or about traditional outsourcing. New approaches to service delivery are being developed to get the best from in-house services. These include joint ventures between the Council and other providers, and new delivery vehicles including Council owned and controlled companies, social enterprises and Trusts.
- 1.3 Cheshire East's strong tax base and greater independence provides financial stability and offers some 'local protection' from the impact of national economic fluctuations. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is also important to note that total spending per head of population is below average compared to nearest neighbours.
- 1.4 The published medium term financial strategy illustrates the scale of the challenge the Council faces over the next few years. But its strong financial performance in 2013/14 provides a good platform for the future. Given this national and local context its overall financial risk profile is now lower than it was a year ago. The Council's consideration and response to risks, and its ability and capacity to recognise and seize new opportunities, underpin its successful performance in 2013/14. The Council continues to strengthen its risk management framework and is working towards reaching a risk maturity level of 'risk managed'. Now part way through its 3 Year Plan, the Council is using its risk management framework to anticipate eventualities and help it respond to changes so that it is fit for purpose to meet the needs of Cheshire East residents and businesses.

- 1.5 The Council expects to continue to balance its budget despite increased demands and high public expectations. This will be achieved by innovation, creativity and a hard commercial focus on costs, productivity and income generation. It remains clear that the overall cost base of the Authority will have to continue to reduce. The Council's risk management framework strengthens the effectiveness of its overall governance framework, and provides a mechanism to ensure that the balance between risk and reward is reflected in its decision making.
- 1.6 This is the annual report of the Corporate Risk Management Group to the Audit and Governance Committee. It covers the financial year from 1 April 2013 to 31 March 2014 and includes any significant issues up to the date of the preparation of the report. 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.
- 1.7 This report also records the work of the Corporate Risk Management Group (the Group) for the year in reviewing the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. Part of the work of the Group included an annual review of the Risk Management Policy. Although the Policy remained fit for a purpose a number of minor amendments have been made to strengthen it.

## **2.0 Recommendations**

- 2.1 The Audit and Governance Committee is asked to consider and review the annual report of the Corporate Risk Management Group.
- 2.2 The Audit and Governance Committee is asked to approve the minor changes made to the Risk Management Policy (**Appendix A**) as a result of the annual review, for onward ratification by Cabinet.

## **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 Being able to demonstrate effective systems for managing risks is a critical step in producing supportable statements of internal control for annual reporting purposes. 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. In order to form an opinion on the effective operation 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, the work of the Corporate Risk Management Group helps to provide assurance of this.

#### **4.0 Wards Affected**

4.1 All

#### **5.0 Local Ward Members**

5.1 N/A

#### **6.0 Policy Implications**

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 Chief Operating Officer)**

7.1 None in relation to this report, a risk around financial control is included as a corporate risk on the corporate risk register.

#### **8.0 Legal Implications (Authorised by the Head of Legal Services)**

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 framework (which includes the role and work of the Corporate Risk Management Group) is operating effectively.

9.2 The content of this report aims to mitigate the following risks:-

<b>Key Risks</b>
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 risk due to poor risk management

## 10.0 Background

### 10.1 Corporate Risk Management Group Membership

10.1.1 Membership of the Corporate Risk Management Group for 2013-14 was as follows:-

Full year:

- § Cllr David Brown, Portfolio Holder for Policy & Performance (in the Chair)
- § Julie Davies, Head of People & Organisational Development
- § Chris Allman, Programme Manager
- § Christine Mann, Finance Manager
- § Jackie Gray, Corporate Manager - Business Intelligence and Data (Shared-Services)
- § Christine Mann, Finance Manager
- § Jon Robinson, Audit Manager
- § Joanne Butler, Performance and Risk Manager
- § Susan Shaw, Performance Advisor / Minutes

Part Year (left):

- § Vivienne Quayle, Head of Policy & Performance
- § Peter Hartwell, Head of Safer & Stronger Communities
- § Juliet Blackburn, Performance & Partnerships Manager
- § Sue Crompton, Performance Standards and Information Manager
- § Diane Taylor, Partnerships & Planning Manager (Children & Families)
- § Catriona Thompson, Head of ICT Strategy
- § Julie Openshaw, Legal Team Leader (Places, Regulatory and Compliance)

Part Year (joined):

- § Gareth Pawlett, Head of ICT
- § Alex Thompson, Corporate Manager - Planning & Performance
- § Tony Crane, Director of Children's Services
- § Brenda Smith, Director, Adult Social Care & Independent Living
- § Rachel Ryle, Health Business Manager
- § Judith Tench, Head of Corporate Resources and Stewardship

10.1.2 Membership of the Group is reviewed annually as part of the self review of effectiveness and as and when required during the year if there are any leavers or role changes. As a result of the self-assessment, for 2013-14, membership of the Group was revised to include a balanced mix of Commissioner and Provider roles so that the Corporate Risk Management Group has sufficient understanding of the Council.

## **10.2 Corporate Risk Management Group Meetings**

10.2.1 Attendance at the Corporate Risk Management Group meetings averaged 70.5% over the 4 meetings held. Meetings of the Corporate Risk Management Group to consider risk management took place on:

- 23 May 2013;
- 16 August 2013;
- 12 December 2013; and
- 6 March 2014.

## **10.3 Corporate Risk Management Group Terms of Reference**

10.3.1 The Group's Terms of Reference were maintained during the year, some minor amendments to the responsibilities and updates to membership were made on an ongoing basis. A formal review of the Terms of Reference was undertaken as part of the Group's self-review of effectiveness and was found to be adequate and fit for purpose.

## **10.4 Risk Management Policy**

10.4.1 Cheshire East Council is required to ensure that it maintains a sound system of internal control. As part of the work of the Corporate Risk Management Group, the following key principles of effective risk management have been applied. Effective risk management:

- covers all risks - governance, management, quality, reputation and financial, however it is focused on the most important key risks;
- produces a balanced portfolio of risk exposure;
- is based on a clearly articulated policy and approach;
- requires regular monitoring and review, giving rise to action where appropriate;
- needs to be managed by an identified individual and involve the demonstrable commitment of senior officers and members; and
- is integrated into normal business processes and aligned to the strategic objectives of the Council.

10.4.2 The Corporate Risk Management Group reviewed and updated the Council's Risk Management Policy at its meeting on 23 May 2013. The updated Risk Management Policy was approved by Cabinet at its meeting on 22 July 2013. It was agreed that the Risk Management Policy be reviewed on an annual basis and so was reviewed by the Group at the meeting held on 6 June 2014. The outcome of the review was that although the Policy remained fit for purpose a

number of amendments could be made to strengthen the Policy (**Appendix A**). The main changes are:-

- The Policy now has a Foreword from Cllr David Brown, as Portfolio Holder for risk management, outlining the attitude of the Council to risk management. Cllr. Brown sets out the Council's commitment to best practice in risk management and states that the Policy has the full support of Members and Senior Managers.
- A Contents page has been added for ease of reference.
- The previous policy contained 7 key principles and 6 key objectives, the sentiments of these remain within the document but these are now concentrated into 2 main overarching risk management and internal control objectives.
- A section on how risk capacity is determined has been included within the risk appetite section at para. 5.3.
- A new section specifically about risk tolerance and thresholds in relation to value has been inserted at 6.0, this section is to encourage costing of risks and contingency for major areas of activity.
- A section on reporting has been included at 8.0.
- The detailed summary of roles and responsibilities has been removed from the main document but added as Appendix A.
- A risk improvement plan has been added at Appendix B detailing intended behaviour change and mechanisms for the next 2 years.
- A comparison of the policy content to best practice guides has been included for reference as Appendix C.

## **10.5 Key Corporate Risks – Threats and Opportunities**

10.5.1 At each meeting during the year, the Audit and Governance Committee received a risk management update from the Corporate Risk Management Group, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of risks.

10.5.2 During the year, the Corporate Risk Management Group considered and discussed the Council's key corporate risks to ensure that risks were assessed consistently across the Council and to monitor the implementation of actions to mitigate the risks to acceptable levels. A number of risks were added to and removed from the key corporate risk register during the year.

10.5.3 The Audit and Governance Committee also received short risk briefings during the year from the Risk Owners/Risk Managers for the following risks:

- Risk 11 – Commissioning & Service Delivery Chain Risk;
- Welfare Reform Risk;
- Risk 9 – Workforce Risk; and
- Risk 20 – Contract & Relationship Management Risk

10.5.4 The most up-to-date risk stewardship template for corporate risk 15 – Protection of Children and Young People will be shared. The Risk Owner/Risk Manager will attend for this item the Audit and Governance Committee at its meeting on 26<sup>th</sup> June.

## **10.6 Specialist Risk Areas – Insurance**

10.6.1 During the year 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 affect the way that Employers Liability and Public Liability claims involving personal injury are handled across the insurance industry and 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 have to be made through a solicitor, submitted via a national electronic Claims Portal and be subject to a fixed legal cost fee structure.

10.6.2 The Corporate Insurance Team developed a suite of reports to provide managers with information relating to claims involving their services. The aim of the distribution of the reports, whilst providing a useful communication tool between the insurance team and the services themselves, was 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. The improvements in risk assessment and awareness should contribute to a reduction in the volume of successful claims made against the authority, thereby improving the financial position of the Council.

## **10.7 Specialist Risk Areas – Business Continuity**

10.7.1 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.

10.7.2 Joint working is also taking place with Cheshire West and Chester Council to ensure CoSocius have appropriate Business Continuity plans in place to deliver the services provided.

## **10.8 Risk Management Framework Improvements**

- 10.8.1 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. This has included ensuring that objectives are clearly articulated and are continually referred back to, as these are the foundation in determining which risks are relevant, and the level of impact associated with each threat or opportunity.
- 10.8.2 A number of workshops have been held with Project Management Teams to identify and articulate project risks. Risk registers are included as part of the standard templates for project managers and advice and guidance on risk management has been given through the technical enablers group (TEG) and in the project management handbook.
- 10.8.3 Risk register templates are also included as part of the standard planning documentation for Commissioning Business Plans, as part of the 3 year planning for commissioning areas. .
- 10.8.4 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; and
  - ensure that the new vehicle has effective risk management procedures in place.
- 10.8.5 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; and
  - Facilitating prioritisation of action plans.

## **10.0 Corporate Risk Management Group Summary**

- 11.1 As the Council continues to transform into a Strategic Commissioning authority and sets about achieving even greater value for money, by doing things differently and using innovative new approaches to the way in which services are delivered, to achieve the outcomes desired by local people. Learning from risk management judgements gives us a key competitive advantage, enabling our

leaders and managers to act proactively on their accountabilities and facilitate strategic thinking so that we are able to increase our risk appetite, exploit opportunities which enable innovation and better value for public money.

- 11.2 The purpose of the Corporate Risk Management Group is to assist the Council with the management of risks to achieving its strategic priorities and service delivery by reviewing all matters concerning the development, maintenance and implementation of the Council's risk management framework, including monitoring and reporting arrangements. The work of the Corporate Risk Management Group over the year has assisted and demonstrated improvements to the Council's risk management framework, such that it has moved further towards a risk maturity of risk defined, but there are further developments to be made to progress the level of risk maturity of the Council in order to achieve its outcomes for the local people of Cheshire East.
- 11.3 It is important that risk management is not seen as a burden to the Council, the benefits of a high level of risk maturity are that internally it promotes good management by encouraging consistent and systematic management behaviour to identify and assess risk and take advantage of opportunities. Active risk management means that projects and initiatives are better managed and unnecessary opportunistic risks are avoided. A consistency of approach, owing to an embedded risk management framework, will promote and facilitate better cross-functional working between administrative support and service functions within the Council. Consequentially, it adds value by improving communication and raising a greater awareness of projects, initiatives and activity.

## **11.0 Access to Information**

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

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