

RISK MANAGEMENT

POLICY STATEMENT & STRATEGY

2015-2017



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RISK MANAGEMENT POLICY STATEMENT

Cheshire East Council's three year plan sets out the Council's outcomes for residents first. In this regard the Council recognises it has a duty of care to its stakeholders, residents, employees, Members and partners. This encompasses having high standards of governance, acknowledging that the management of opportunities and risks is a key principle of effective corporate governance and a key contributor to a sound control environment and the Annual Governance Statement.



The Council seeks to adopt recognised best practice in the identification, evaluation and cost effective / proportional control of risks and opportunities to ensure that they are managed at acceptable levels. Risk management within Cheshire East Council is about managing our threats and opportunities and striving to create an environment of 'no surprises'. By managing our threats we will be in a stronger position to deliver the business objectives and outcomes to our residents. By managing our opportunities we will be in a better position to demonstrate improved services and better value for money.

We recognise that risks are inherent within our service delivery, and some are unavoidable. As an organisation it can impact in many ways, whether financially, politically, on our reputation, environmentally, or to our service delivery. Successful risk management is about ensuring there is the correct level of control in place to provide sufficient protection from harm, without stifling our development. As an organisation with a range of stakeholders with differing needs and expectations this can be a challenge. We must ensure decisions taken as a Council include consideration of potential impacts for all of our stakeholders, and whether the benefits of taking our actions outweigh the risks.

Overall the Council's attitude to risk is to operate in a culture of creativity and innovation, in which risks are identified, are understood and pro-actively managed, rather than avoided. We need to have the structures and processes in place to ensure that the risks and opportunities of Council activities, partnerships and other joint working arrangements are identified, assessed and managed in a consistent way. We will not shy away from risk; instead seek to pro-actively manage it. This will allow us to meet the needs of our residents today, and the future challenges ahead.

The Cabinet and Management Group Board are fully committed to effective risk management and see it as part of our responsibility to deliver an effective public service to the residents of Cheshire East.

The big challenge we face is to ensure that all levels of staff are aware of risks and are managing them, so I look forward to everyone making governance and risk a great success!

Councillor David Brown, Deputy Leader and Portfolio Holder for Highways (Including Risk Management responsibility)

RISK MANAGEMENT STRATEGY

1 Introduction

- 1.1 The Council has adopted a Risk Management Policy Statement, Strategy and Framework to ensure a focused and structured approach to the management of risk arising from Council activities. This will ensure that risk management is an integral part of good governance, recognising the importance of effective identification, evaluation and management of key corporate and operational risks.
- 1.2 This is endorsed by the increased focus on the importance of corporate governance to public sector bodies. The Council has also has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations 2015.

‘A relevant authority must ensure that it has a sound system of internal control which – includes effective arrangements for the management of risk’.

- 1.3 The Policy Statement, Strategy and Framework have the full support of the Council and the Management Group Board. All elected Members and employees have a responsibility for and contribution to make in terms of risk management.

2 What do we mean by ‘Risk’?

The definition of risk used within Cheshire East is:

- 2.1 **Risk** can be a threat or an opportunity. A threat is a possible future event or action which will adversely affect the Council’s ability to achieve its stated objectives and to successfully deliver approved strategies. An Opportunity is an event or action that will enhance the Council’s ability to achieve its objectives and deliver approved strategies.
- 2.2 It is typically assessed using two dimensions, one of which is the impact of the threat or the opportunity, representing the consequences to the Council’s intended outcomes. The second dimension is the frequency or likelihood of the risk occurring, representing the probability of the threat or opportunity happening.
- 2.3 **Risk Management** is the process by which risks are identified, evaluated and managed, such that objectives are more likely to be achieved, damaging actions or events are avoided or minimised and opportunities maximised. Good risk management increases the probability of success, and reduces the probability of failure and uncertainty of achieving Cheshire East’s overall objectives.
- 2.4 CIPFA Solace, Delivering good governance in Local Government states that;

good governance requires that risk management is embedded into the culture of the organisation, with members and managers at all levels recognising that risk management is part of their job. At the highest level, risk management must be

closely aligned to the organisation's strategic objectives, ensuring that there is a clear focus, at the top of the organisation, on those significant risks that would prevent the organisation achieving its key business objectives. An authority should, therefore, be able to demonstrate that risk management has been embedded in its corporate business processes, including:

- ***strategic planning***
- ***financial planning***
- ***service delivery***
- ***policy making and review***
- ***project management***
- ***performance management***

2.5 The following diagram illustrates the Risk Management methodology which is a continuous cycle;



3 What are the real benefits of Risk Management?

Benefits of Risk Management

- 3.1 Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services by;
 - Increasing the chances of success and reducing the chances of failure;
 - Assisting the delivery of creative and innovative projects;
 - Reducing unexpected and costly surprises;
 - Ensuring a more efficient use of resources;
- 3.2 The Council should not be afraid of identifying a risk or feel identifying a risk is a failure. Identification of a risk provides an opportunity for improvement and success!

4 What do we want to achieve with Risk Management?

4.1 Cabinet have previously assessed the risk maturity of the Council as between risk aware and risk defined with a target minimum standard of risk managed, which is defined as:

‘An enterprise approach to risk management developed and communicated, risk embedded in key processes. Active engagement and risk based decision making’.

| | | | | |
|--|--|---|---|---|
| Where we are now:  | | | | |
| Risk Naïve | Risk Aware | Risk Defined | Risk Managed | Risk Enabled |
| No formal approach to processes developed for risk management, avoidance and lack of engagement | Scattered silo based approach to risk management using stand alone processes, reactive approach. | Risk appetite defined. Strategy and policies in place and communicated. Some understanding and application but passive acceptance and compliance with reliance on risk registers. | Enterprise approach to risk management developed and communicated, risk embedded in key processes. Active engagement in risk based decision making. | Risk management and internal controls fully embedded into the operations. Regular review and improvement of risk processes, fully committed to risk management and confident risk taking. |
| Where we want to be: | | |  | |

4.2 The priorities for 2015/17 detailed in section 5 set out how we intend to achieve this overall objective.

5 Risk management priorities over the next 18 months;

5.1 In order to move towards the Council's target risk maturity; the following actions are priorities for the next 18 months;

5.2 Development of a risk management framework underpinning the Policy Statement and Strategy that clarifies;

- how the Council's senior managers and elected Members intend to manage risk – being explicit about what needs to be accomplished, how, by when, and who is responsible for what, recognising that embedding risk management and strong controls in the daily and regular business of the Council is an iterative process.
- the scope of the risk management activity in the Council – being explicit about how all of the risks faced by the organisation are being considered, starting at the strategic level and cascading down into the Council's structure as considered appropriate
- how to develop a consistent approach to the identification, monitoring and review of service risks informing the business planning process.
- the detailed methodology for risk management including risk identification, evaluation, treatment and monitoring.
- The cyclical reporting arrangements for key corporate risks.

5.3 To set up a working risk subgroup of the Corporate Assurance Group with nominated 'risk champions' from services responsible for co-ordinating the responses to risk; and to contribute to the development of the framework to ensure that it is working effectively throughout the Council.

5.4 To critically examine and challenge commissioning plans so that risk is being considered appropriately at the business planning stage to ensure risk activity is focused on the delivery of the key organisational objectives.

5.5 To review the Corporate strategic risks facing Cheshire East Council, examining, challenging and supporting the risk assessment process to ensure consistency and gain assurance that strategic risks are being actively managed and monitored; including comprehensively revisiting and updating the Corporate Risk Register.

5.6 Establish the Council's risk capabilities, the outcome of which will inform a training programme to ensure that everyone involved understands the principles of risk management and their particular responsibilities in this regard, providing them with the necessary skills and knowledge to fulfil their responsibilities.

- 5.7 To develop and agree a more detailed risk maturity improvement plan to move the Council towards the accepted standard of Risk Managed, as agreed by Cabinet.

6 Reporting and monitoring arrangements

- 6.1 Service risk 'champions' will review risks as necessary through their Senior Management Teams (SMT's). The minimum reporting arrangements for assurance purposes through the Corporate Assurance Group, Management Group Board, Audit and Governance Committee, and Cabinet will be;
- An annual report on risk management activity;
 - An interim update report on risk management activity;
 - An annual review and report on the overall effectiveness of risk management and internal control by the Head of Internal Audit.
- 6.2 Please also refer to the Risk Management Framework which outlines the risk management roles and responsibilities and the governance structure of risk management.

7 Update of the Strategy and Policy Statement

- 7.1 The next update of the strategy and policy statement will be March 2017, thereafter annually in March.