CHESHIRE EAST COUNCIL

Audit and Governance Committee

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Date of Meeting: 30th June 2011
Report of: Head of Policy and Performance
Subject/Title: Risk Management Update Report

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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   Decision Requested

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 Recommendations

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   - **Climate change**
                                           - **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.

10.2   Attached at *Appendix A* is a summary of the Council's Key Corporate Risks and the net risk rating for each risk. 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.

10.3   At its meeting on 17 May 2011, the Corporate Risk Management Group discussed, considered and endorsed the risk ratings for the following key risks:-
Key Corporate Risk 2 – Financial Control
Key Corporate Risk 3 – Community Safety
Key Corporate Risk 4 – Vulnerable Children
Key Corporate Risk 5 – Vulnerable Adults
Key Corporate Risk 7 - Partnerships
Key Corporate Risk 8 – Health Partnerships
Key Corporate Risk 9 – Education
Key Corporate Risk 10 - Workforce
Key Corporate Risk 13 – Transformation

10.4   As detailed on *Appendix A*, two of the key corporate risks, KCR3 Community Safety and KCR9 Education, have been assessed as having a 'Low' net risk rating. The Corporate Risk Management Group agreed that these two risks may be removed from the Corporate Risk Register and monitored at Directorate Risk Register level. The Group also agreed to increase the likelihood rating for key corporate risk 10 – Workforce, increasing the net risk rating from 9 – Medium to 12 High.

10.5   Given that the recent election may have resulted in different Members as Portfolio Holders than those previously, it was suggested that any changes to Strategic

Leads on the risk register be discussed on an individual basis with the relevant Portfolio Holders.

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

10.7   For the benefit of new members to the Audit & Governance Committee an extract from the full Corporate Risk Register is provided at ***Appendix C*** to this report.

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 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 D*** to this report.

11.3   Risk Service Area Leads
        To embed risk management we need to integrate a consistent approach and develop a cultural shift to a risk confident environment. If we implement risk management through existing decision-making and reporting structures we can ensure a smooth transition to Council wide integration. In developing a more mature risk management framework we need to ensure that the identification of risk is comprehensive, as complete as possible and is consistently identified and recorded across the Council. We need to draw on resource through existing structures to implement and integrate the risk management policy and proactively address risk. It is suggested that Directors and Heads of Service nominate appropriate representatives (perhaps those who have been involved in service planning) to be Risk Service Area Leads.

11.4   It is envisaged that Risk Service Area Leads will be an operational support for the Directorate Risk Representatives in fulfilling their strategic role of raising the profile and promoting the benefits of risk management within their Directorate and through membership of the Corporate Risk Management Group. The Directorate Risk Representatives are the focal point through which Risk Service Area Leads can feed views on the operational risk management, as key influencers of the strategic risk management process. The Leads will assist the Directorate Representatives by furnishing them with up to date risk information so that they are well positioned to challenge the contents of the Directorate Risk Registers and the Significant and Corporate Risk Registers and ensure that these are suitably robust.

11.5   Risk Management Training and Workshops
        The Risk and Business Continuity Team held risk management training sessions and workshops with the Legal and Democratic Services Management Team, Senior

Managers in the Adult, Community Health and Wellbeing Directorate and in the Children and Families Directorate.

11.6   Risk Management Networking
The Risk and Business Continuity Team has shared and discussed its updated Risk Management Policy with colleagues in Cheshire West and Chester Council and internally with Cheshire East's Insurance Team. The Risk Team recently met with risk consultant colleagues from Zurich Municipal to discuss the Council's intended approach to risk management and new risks facing the public sector. The Team also had a joint meeting with Risk Management Consultants from Aon Risk Solutions (Aon is the Council's Insurance Broker) to review our approach to risk and to see if there were any gaps that we needed to review. The networking meetings all went well and colleagues were happy with the Council's intended approach.

11.7   Risk Management Policy Review
A review of the Council's risk management strategy has been undertaken and an updated Risk Management Policy will be submitted to the Committee for consideration in a separate paper.

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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