

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting: 5 September 2011
Report of: Head of Policy and Performance
Subject/Title: Risk Management Policy Review
Portfolio Holder: Councillor David Brown

1.0 Report Summary

- 1.1 The Council's Risk Management Policy forms part of the overall internal control framework and corporate governance arrangements. An internal control system with risk management at its core will facilitate the effective and efficient operation of the Council by enabling it to respond appropriately to risks. This increases the likelihood of the Council achieving its strategic objectives.
- 1.2 The present risk management strategy was last amended and approved by Cabinet at its meeting on 14 July 2009, and is, therefore, due for review. The review of the risk management strategy by the Corporate Risk Management Group showed that, whilst the majority of the strategy components appeared to be appropriate, there were a number of areas that required updating. This paper presents an updated Risk Management Policy from the Corporate Risk Management Group for consideration and approval. The updated Policy has been reviewed by the Corporate Management Team and the Audit and Governance Committee

2.0 Decision Requested

- 2.1 Cabinet is requested to consider and formally approve the updated Risk Management Policy. The policy is to be reviewed annually.

3.0 Reasons for Recommendations

- 3.1 In order to form an opinion on the effectiveness of the Council's risk management arrangements. Cabinet needs to be assured that the Council publishes a clear risk management policy covering risk management philosophy and responsibilities.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

5.1 N/A

6.0 Policy Implications including – Carbon Reduction - 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 Director of Finance and Business Services)

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

10.0 Background and Options

10.1 A copy of the updated Risk Management Policy is attached for comment at **Annex A** to this report; this includes a sub-section on Business Continuity.

10.2 The policy does not include details of the risk management process or the procedures and documentation. These are held separately and it is intended that these will be included in a risk management handbook or toolkit for staff and Members and include information on risk management of partnerships and projects.

11.0 Access to Information

- 11.1 The previous Risk Management Strategy is available if any Member should wish to see it and background papers relating to this report can be inspected by contacting the report writer:

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

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CHESHIRE EAST COUNCIL - RISK MANAGEMENT POLICY

1.0 Introduction

- 1.1 A risk is concerned with a threat or a possible future event which will adversely or beneficially affect Cheshire East Council's ability to achieve its objectives. Risk management is the process that informs strategic development through the identification and treatment of risk such that, objectives are more likely to be achieved, damaging actions or events are avoided or minimised and opportunities maximised.

2.0 Purpose

- 2.1 This risk management policy forms part of Cheshire East Council's internal control and corporate governance arrangements. The purpose of this policy is to clearly outline the council's commitment to risk management, describe the objectives of risk management and provide a framework for embedding risk management across the organisation, with defined roles and responsibilities and a structured process. Through the implementation and embedding of an effective risk management framework, Cheshire East Council will ensure that it is better placed to manage its performance, achieve its corporate objectives and provide an enhanced level of service to the community.

- 2.2 The following key principles outline the Council's approach to risk management and internal control:

- Council and Cabinet have responsibility for overseeing risk management within the council as a whole
- an open and receptive approach to understanding the challenges of risk management is adopted by Cabinet and Council
- the Chief Executive and the Corporate Management Team support, advise and implement policies approved by Cabinet and Council
- the Council makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks
- there will be a range of appetites and tolerance levels for different risks which will vary over time but these will be approved and communicated appropriately
- the Senior Management Team are responsible for encouraging good risk management practice within their Service Areas
- key risk scores and indicators of levels of risk are identified and closely monitored on a regular basis.

3.0 Commitment to Risk Management

- 3.1 Cheshire East Council is committed to adopting best practice in the identification, evaluation and cost effective control of risks to ensure that they are reduced to an acceptable level or eliminated, and also maximise opportunities to achieve the council's objectives and deliver core services. It is acknowledged that some risks will always exist and will never be eliminated.
- 3.2 All officers must understand the nature of the risk and accept responsibility for risks associated with their area of work, including an understanding of how reputation value for the Council is added or lost. In doing this they will receive the necessary support, assistance and commitment from senior management and Members.

- 3.3 The council's risk management objectives are a long term commitment and an inherent part of good management and governance practices. The objectives need the full support of Members and active participation of managers.

4.0 Benefits of Good Risk Management



- 4.1 Good risk management increases the probability of success, and reduces both the probability of failure and uncertainty of achieving Cheshire East Council's overall objectives.

5.0 Objectives of the Risk Management Approach

5.1 The six key objectives of the approach to risk management are to:

- Embed risk management into the ethos, culture, policies and practices of the council.
- Ensure the council successfully manages risks and opportunities at all levels – strategic, operational, programme, project and partnership.
- Manage risk in accordance with all statutory and best practice requirements.
- Ensure that risk management is a key and effective contributor to Corporate Governance and the Annual Governance Statement.
- Ensure that risk management helps to secure efficient and effective arrangements to identify and achieve successful local and national priority outcomes.
- Embed an effective business continuity management framework to provide continuous service delivery in the event of an emergency.

5.2 These objectives will be achieved by:

- Establishing a risk management framework and risk management handbook for employees and Members.
- Clearly defining the roles, responsibilities and reporting lines within the council for risk management.
- Ensuring there is appropriate leadership and monitoring of corporate risks and key corporate project risks.
- Risk management being an integral part of and included in the council's processes, policies and documents, including service and project planning, writing reports and considering decisions.
- Providing advice, guidance, suitable information and training on risk management to employees and Members.
- Maintaining a hierarchy of risk registers, that are regularly reviewed and monitored, to demonstrate the management of risks linked to the council's business, corporate and operational objectives and to working in partnership. Working in collaboration with partners to ensure a joint successful approach to the management of risks.
- Using national and best practice guidelines on risk management and engaging in relevant risk management forums and benchmarking exercises to identify further opportunities for improvement in our approach to risk management.
- Providing opportunities for shared learning on risk management across the council and with other authorities, partners and stakeholders where appropriate.
- Heads of Service completing statements as to the effectiveness, or otherwise, of their systems for identifying, monitoring and managing corporate and operational risks.
- Ensuring that internal audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks will be unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking.
- Preparing and testing contingency plans to secure business continuity where there is a potential for an event to have a major impact upon the council's ability to function.
- Identifying and seizing opportunities which risk management provides for the organisation.

6.0 Our Approach

6.1 It is essential that a single risk management approach be utilised at all levels throughout the authority. By effectively managing our risks and opportunities, which is all part of good governance,

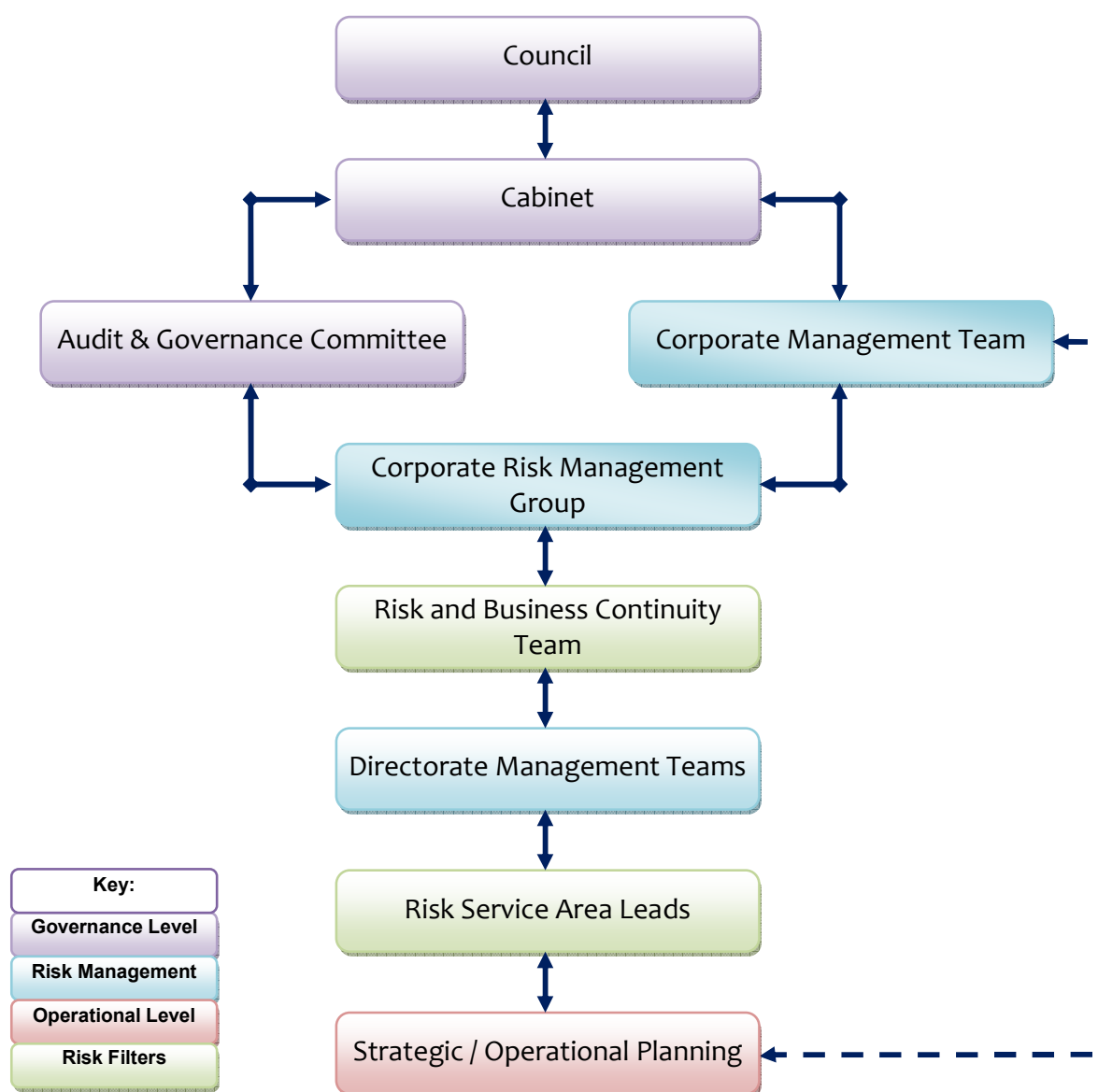
we will be in a stronger position to deliver our objectives, provide improved services to the public, work better as a partner with other organisations and achieve value for money. The council has closely integrated risk management into its planning and objective-setting process, enabling it to manage its risks in a more consistent, uniform way.

- 6.2 By integrating risk management with the council's strategic planning process and individual service delivery plans we are able to monitor risks to achieving the objectives, determine which risks have the most significant impact, and prioritise resource accordingly. This approach to risk management will inform the council's business processes, including:-
- Strategic planning
 - Financial planning
 - Service planning
 - Policy making and review
 - Performance management
 - Project management
 - Partnership working
 - Internal Audit planning
- 6.3 For those with responsibility for achieving objectives, responsibility also lies in identifying and assessing risks and opportunities; developing and implementing controls and warning mechanisms; and reviewing and reporting on progress. The identified risks and relevant control measures will be recorded on the council's risk registers and will be monitored, reported and reviewed by the Corporate Risk Management Group.
- 6.4 Some objectives could be reliant upon external groups that the authority may work with, such as other organisations, partners, contractors etc. This partnership working could affect the achievement of an objective and therefore the risk management process will be incorporated into the way the council works within these partnerships through Partnership Protocols.
- 6.5 The management of risk will become an integral part of corporate policy decisions and the initiation of major projects, which will include a statement on risk to help inform the decision making process.
- 6.6 This will assist Members and officers to ensure that new risks are detected and managed, by providing more detail on the process for managing risk, where each stage builds upon the other and provides basic practical guidance on how to identify, assess and treat risks, and monitor their progress. To assist with this approach to risk management and to ensure consistency across the authority, a risk management handbook will be prepared, reviewed on an annual basis and reported to the Audit and Governance Committee for approval and adoption.
- 7.0 Risk Appetite / Tolerance**
- 7.1 Understanding and setting a clear risk appetite or tolerance level is essential to achieving an effective risk management framework and should be done before managers consider how to treat risks. Establishing and articulating the risk tolerance level helps to ensure that consideration in the way management, Cabinet and Council respond to risk is consistent and that there is a shared vision for managing risk. There are risks for which the Council is custodian on behalf of the public and the environment, where tolerance levels may be very low, and there may be risks with choices about investment in projects, research and delivery roles, where risk taking may be encouraged.

- 7.2 Cheshire East Council recognises that in pursuit of its objectives it may choose to accept an increased degree of risk. The council will establish and articulate risk tolerance levels for the differing areas of its business. Where the council chooses to accept an increased level of risk it will do so, subject always to ensuring that the potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

8.0 Roles and Responsibilities

- 8.1 Responsibility for risk management should run throughout the authority. Clear identification of roles and responsibilities ensure the successful adoption of risk management and demonstrate that it is embedded in the culture of the organisation. Everyone has a role to play in the risk management process. The council's reporting lines framework is shown on the diagram below:



8.2 A summary of the roles and responsibilities of groups and individuals in relation to risk management is given in the table below:-

Individual or Group	Summary of Role & Responsibilities
Council	Monitors, receives reports and assurance on risk management activity and management of corporate and significant risks. Approves risk appetite / tolerance levels. Approves the risk management and business continuity policies. Approves public statements on internal control and provides assurance on risk management to the public.
Cabinet	Oversees the effective management of risk throughout the council, ensuring officers develop and implement an all encompassing approach to risk management. Monitor the content of the key corporate and significant risk registers and comment on mitigation as appropriate. Ensure that risks are fully considered when making decisions. Consider and endorse the risk management policy and risk appetite / tolerance levels for ratification by Council.
Audit and Governance Committee	Provide independent assurance on the effectiveness of the risk management framework and associated control environment, and independent scrutiny of the council's financial performance. Hold Members and officers to account to consider mitigating action for risks and how appropriate / effective it is. Receive regular reports on the management of the top council risks.
Scrutiny Committee	Reviews the portfolios, Cabinet and organisational performance as a whole. Ensure that officers and Members discharge their responsibilities effectively and efficiently including the identification and management of risks.
Portfolio Holder - Lead	To take a strategic lead for risk management in the council, from a Member's perspective, promoting and supporting the development and implementation of the risk management policy and ensuring that Members take risk management into account when making decisions.
Corporate Management Team (CMT)	Gain an understanding and promote the risk management process and benefits, oversee the implementation of the risk management policy and agree any inputs and resources required supporting the work corporately. Manage strategic and cross-cutting risks. Report to elected members on the management of risks. Monitor and consider the mitigating actions for significant new and emerging corporate and operational risks as escalated and reported by the Corporate Risk Management Group.
Corporate Risk Management Group (CRMG)	Assist the Council with the management of risks to achieving its strategic priorities and service delivery by

Individual or Group	Summary of Role & Responsibilities
	reviewing all matters concerning the development, maintenance and implementation of the council's risk management framework, including monitoring and reporting arrangements. Identify and communicate risk management issues to CMT and services
Internal Audit	Challenge and test the risk management process, including the identification and evaluation of risk and provide independent assurance to officers and Members on the effectiveness of the risk management framework and internal controls. The audit coverage is driven by a deep understanding of the risks, challenges and opportunities facing the Council. Some of the risks are unique to individual services; others will be common to all services and other Authorities, giving opportunities for benchmarking. The programme of work is planned annually but constantly reviewed to ensure it remains up to date and appropriate and encompasses a wide range of financial and non-financial risks. The audits are creative, thoughtful and useful pieces of work. They provide robust assurance and offer pragmatic ideas for development.
External Audit	External audit provides feedback to the Audit and Governance Committee on the operation of the internal financial controls reviewed as part of the annual audit.
Section 151 Officer	Ensure that the risk management processes are considered as specified in the Finance Procedure Rules.
Risk and Business Continuity Team	Receive all the approved top risks from local registers, senior management meetings and governance committees. Act as filters to eliminate duplicates and help with consistency. Collates and coordinates a comprehensive report for presentation to CRMG. Reports back to local level, CMT, Cabinet, Council, Audit & Governance Committee, Scrutiny Committee and Corporate Governance Group. Facilitate regular meetings of Risk Service Area Leads . Share good practice and provide professional support, guidance and training across the council on risk management. Maintain the council's corporate and significant risk registers and the risk management system.
Directors	Ensure that risks are managed effectively in each service area in accordance with the risk management policy and procedure. Nominate and support a risk management representative to represent the Directorate on the CRMG and identify risk service area leads within the Directorate. Identify, analyse and prioritise directorate risks as part of the business planning process. Determine risk management action plans and delegate responsibility and control. Act as filter groups, identify and approve the top council risks, escalating emerging risks where these could have a significant and strategic

Individual or Group	Summary of Role & Responsibilities
	impact. Consider risk as regular agenda items at DMT meetings reviewing the Directorate risk registers and monitoring progress.
Service Heads and Managers	The business planning and budgeting process is used to set objectives, agree action plans, and allocate resources. Identify, analyse and prioritise service risks as part of the business planning process. Progress and performance towards meeting business plan objectives is monitored regularly. Ensure that risk is managed effectively in their service area in accordance with the risk management policy and procedure. Produce, test and maintain Service Continuity Plans. Promote risk management and establish training requirements within service areas. Manage significant risks on a daily basis and report on mitigation.
Risk – Service Area Leads	Support the Directorate and Service Teams in maintaining local risk registers. Remind risk owners when risk update reports are required. Provide details of the top risks to the Risk and Business Continuity Team. Liaise with Directorate risk representatives to ensure operational and strategic risks are properly managed. Coordinate with the Risk and Business Continuity Team and other Risk Service Area Leads to ensure that risks affecting all services are managed cohesively. Align risk registers with relevant partners.
Transformation and Project Managers	Ensure that we are capable of delivering major and complex projects across many of our services and are key to achieving the council's objectives. Identify, analyse and prioritise project risks as part of the project management process. Ensure that project risks are managed effectively, throughout the life of the project, in accordance with the risk management policy and procedure. Report on mitigation and effectiveness and escalate project risks that could impact on the achievement of directorate and corporate objectives.
Other specialist risk support services: <ul style="list-style-type: none"> • Insurance • Health & Safety • Climate Change • Legal • Emergency Planning • Human Resources • Environmental • Communications & Media Relations 	Advise Corporate and Directorate Management Teams on policies, procedures and implications of strategic and operational risk decisions. Ensure that risk management is embedded into business planning, operational and performance processes. Seek to develop a shared and consistent corporate approach to risk management so that the council can demonstrate a clear systematic assessment and control of risk. Protect and manage risks to employees and public, Council reputation and financial values.
Planning and Performance Management	The business planning and performance management process is used to set objectives, agree action plans, and allocate resources. Progress and performance towards meeting business plan objectives is monitored regularly,

Individual or Group	Summary of Role & Responsibilities
	including the control and operational actions to mitigate risk.
Officers	Manage risk effectively in their roles, liaising with their line manager to assess areas of risk and identify new or changing risks.

9.0 Internal Control

9.1 The system of internal control incorporates risk management. This system encompasses a number of elements that together facilitate an effective and efficient operation, enabling the council to respond to a variety of operational, financial and commercial risks. These elements include:-

a. Policies and procedures

Attached to significant risks are a series of policies that underpin the internal control process. The policies are approved by Cabinet and Council and implemented and communicated by senior management to staff. Written procedures support the policies where appropriate.

b. Quarterly reporting

Comprehensive quarterly reporting is designed to monitor key risks and their controls. Decisions to rectify problems are made at regular meetings of the Corporate Management Team and Cabinet if appropriate.

c. Business Continuity

The business continuity process is essentially risk management applied to the whole organisation and its ability to continue with its service provision in the event of a catastrophic event. The council has therefore developed a complimentary policy to the Risk Management Policy on Business Continuity to address this important aspect of risk management and is attached as **Appendix 1** to this Policy.

d. Anti-Fraud and Corruption

The council has an anti-fraud and corruption strategy, which directs the council towards ensuring a professional and ethical approach to combating fraud. As part of the council's anti-fraud and corruption framework, the council also has an anti-money laundering policy, which directs the council towards ensuring a professional approach to combating money laundering.

e. Whistleblowing

Cheshire East Council is committed to the highest possible standards of openness, probity and accountability. Employees, Members, contractors, suppliers to or consultants with, the authority are often the first to realise that something wrong may be happening within. The Whistleblowing Protocol is intended to help those who have concerns over any potential wrong-doing within the council.

f. Audit, Inspectorate and Accreditation reports.

The Council makes reference to and acts upon the results of the work of the internal and external auditors and on information and recommendations received

from other Council feedback mechanisms, including inspectorates, professional bodies and accreditation bodies.

10.0 Document History

Version	Date	Approved by	Minute Ref
V1	17 May 2011	Corporate Risk Management Group	minute para 39.2
	7 June 2011	Corporate Management Team	minute Item 5
	30 June 2011	Audit & Governance Committee	minute para 10
	5 Sept 2011	Cabinet	
V2			

CHESHIRE EAST COUNCIL - BUSINESS CONTINUITY STRATEGY

1.0 Purpose

- 1.1 The purpose of this strategy is to clearly outline the Council's commitment to business continuity planning and its links to risk management. In addition it defines and clarifies roles and responsibilities.

2.0 Background and Requirements

- 2.1 The Civil Contingencies Act (2004) (CCA) provides the framework for Civil Protection in the UK, and places a number of duties on Local Authorities regarding preparation for and response to emergencies. Cheshire East Borough Council, as a Category 1 (front-line responder) is required to develop and maintain business continuity plans, so that key functions can continue to be delivered in an emergency. This also involves consideration of the resilience of those organisations on whom the Council relies to maintain key services, including any third parties who provide services on its behalf.

- 2.2 **As well as implementing Business Continuity Plans, the CCA also requires Local Authorities to promote and provide general business continuity management advice to commercial and voluntary organisations in the area. This duty aims to enable local businesses to better maintain critical elements of their service and recover more quickly should an incident arise, therefore lessening the economic and social impact on the local community.**

- 2.3 Business continuity management (BCM) is a planned process aimed at managing the many and varied operational risks inherent in the day-day activities involved in delivering services, and, therefore, it is an essential element of risk management, helping to create a resilient organisation and one which is able to provide continuous service delivery and effective use of resources. Effective risk management can reduce the likelihood of an incident occurring, whilst business continuity planning can reduce the impact if it does occur. As well as increased resilience, there are many benefits to having a structured and consistent BCM process in place:

- Credibility – protecting and enhancing the reputation of Cheshire East Borough Council.
- Supporting corporate governance and the requirement to produce an Annual Governance Statement
- Reduced costs – protecting assets, working more efficiently, reducing recovery cost, assurance of third party providers of services (who may be required to demonstrate effective resilience as part of any tender for business), lower insurance premiums, where the Council can demonstrate proactive management of continuity risks.

3.0 Objective of the Strategy

- 3.1 The objective of this strategy is to set out the requirement for Cheshire East Council to take steps to ensure that, in the event of a service interruption, essential services will be maintained and normal services restored as soon as

possible. To ensure that this happens, the Council must have in place robust business continuity and service recovery plans that are regularly reviewed and tested. In addition, the Council will promote and provide business continuity advice to local businesses and voluntary organisations, in order to ensure, in conjunction with the Joint Cheshire Emergency Planning Service, that the Cheshire East region is well prepared for any unforeseen events.

4.0 Implementation and Responsibilities

- 4.1 Business continuity requires senior management commitment and support, and dedicated resource allocated within the Authority to ensure that plans are developed, maintained, reviewed, and, most importantly, tested, so that they are fit for purpose. It also needs to be built into the change management process to ensure the implications of any change are fully considered prior to implementation and that resilience is built into the project deliverables.
- 4.2 Because business continuity is an essential element of risk management, it will be managed as part of the Cheshire East Risk Management Policy, and responsibility for its delivery will be incorporated into the roles outlined in the Risk Management Policy.

Members and Portfolio Holder Strategic Lead – ensure an effective Business Continuity Policy is in place.

Cabinet – receive monitoring reports and annual report on the progress of Business Continuity within the Council.

Audit and Governance Committee – provide independent assurance of the adequacy and effectiveness of the Council's resilience as part of the Risk Management framework.

Directors and Chief Officers – ensure the production, communication, review and testing of Business Continuity plans for their Directorate/Services and ensure all staff are fully aware of these plans.

Corporate Risk Management Group – monitor the progress and status of business continuity planning and the Council's level of resilience. Report quarterly to the Corporate Management Team, Cabinet and Governance and Constitution Committee.

Directorate Risk Management Groups – coordinate the Directorate's business continuity planning response and report quarterly on its progress and status to the Corporate Risk Management Group.

Risk and Business Continuity Team - Provide training, support, guidance and advice, as well relevant templates and documentation to aid the planning process. Provide support in the coordination and implementation of testing. Liaise with the Joint Cheshire Emergency Planning Team and the Cheshire Local Resilience Forum, to ensure that the Council is aware of and fully incorporated into the regional emergency and continuity planning processes. Lead in the promotion of business continuity planning to local businesses and voluntary organisations.

Internal Audit

Provide an independent assessment of the robustness, or otherwise, of the Business Continuity Plans within Services.

Other members of staff

Ensure that they are fully aware of the Business Continuity Plans for their particular area of work, and take proactive steps to improve resilience wherever possible.

5.0 Developing Plans

5.1 **Understanding the operation** – Business impact analyses (BIA) need to take place to identify and agree critical processes or services and the potential damage or loss that may be caused to the Council and the community as a result of a disruption. A BIA must consider the minimum level of staffing, skills and resources required to enable essential services to continue operating at a minimum acceptable level. Following this, risk assessments must be undertaken to identify internal and external threats to the Council, the likelihood of these occurring, and therefore the potential impact.

5.2 **Strategies** – strategies must be developed to offset the identified risks, e.g. eliminate single points of failure, implement better controls, etc.

5.3 **Developing and implementing plans** – these must be documented and available for use within any type of emergency incident. They must also include ‘stand-by’ arrangements, including accommodation and specialist equipment, as well as IT systems and telecommunications. They need to tie in with plans already in place, such as the Cheshire East Council Major Emergency Plan and the Emergency Rest Centre Plan.

5.4 **Building and embedding a BCM culture** – there is a need to have an effective education and awareness programme in place to ensure that all staff are fully aware of the impact of an unforeseen event, and their roles and responsibilities in a recovery situation.

5.5 **Exercising, maintenance and audit** – there must be a regular testing programme in place within Directorates and Services, to ensure that the critical components of the plans are exercised.

6.0 Review

6.1 This strategy will be reviewed on an annual basis alongside the review of the risk management policy.