

CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting: 28th March 2013
Report of: Performance and Risk Manager
Subject/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 Recommendation

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

3.0 Reasons for Recommendation

- 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 At the end of February, Cabinet and the Corporate Management Team (CMT) undertook a risk and opportunity workshop and began to review the key corporate risks to achieving the Council's objectives and outcomes. The workshop included a refresher presentation on the principles of risk management. This included a reminder that the definition of risk concerns possible future events (both threats and opportunities) which may adversely, or beneficially, affect the Council's ability to achieve its objectives. The presentation provoked discussion around risk appetite and the maturity of the Council in dealing with risk.

4.3 Risk maturity is the extent to which a robust risk management approach has been adopted and applied, as planned, by management across the Council to identify, assess, decide on responses to, and report on opportunities and threats that affect the achievement of the Council's objectives. The range of risk maturity of an organisation is illustrated in the table below and starts from risk naive through to risk enabled. Cabinet and CMT agreed that the Council should strive to consistently reach the level of maturity of risk managed, as a minimum standard. At present, the level of risk maturity for Cheshire East is judged to be between risk aware and risk defined which gives a good foundation to further embed risk management and improve the quality of risk identification.

Risk Naive	Risk Aware	Risk Defined	Risk Managed	Risk Enabled
No formal approach or processes developed for risk management, avoidance and lack of engagement.	Scattered silo based approach to risk management using standalone 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 and 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.

- 4.4 Working in groups and using the 3 Year Plan outcomes, priorities and draft objectives as a starting point, Cabinet and CMT identified key risks and opportunities that may impinge on their delivery. The findings were recorded and work has begun to properly articulate the risks, assess and agree the most significant of these, allocate ownership, determine the response and management controls, and to transfer this information to an updated key corporate risk register. Titles of some of the risks are included at the end of this report to give the Audit and Governance Committee an indication of some of the risk areas. Once we fully understand the Council's risk exposure, further work will be undertaken to determine the Council's risk appetite, so that qualitative high level statements of risk preferences can be defined for business areas. This work will need to take account of our new management structures, when they are in place.

5.0 Other Risk Work

- 5.1 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 new project and programme management methodology. Risk registers are included as part of the standard templates for project managers.
- 5.2 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.

6.0 Wards Affected

- 6.1 All

7.0 Local Ward Members

- 7.1 N/A

8.0 Policy Implications

- 8.1 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.

9.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 9.1 There are no financial implications in relation to this report. However, a risk around financial control is included as a key corporate risk on the corporate risk register.

10.0 Legal Implications (Authorised by the Borough Solicitor)

- 10.1 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.

11.0 Risk Management

- 11.1 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 risk due to poor risk management

12.0 Background and Options

12.1 Risk Titles

External Risk Areas	Strategic Risk Areas	Operational Risk Areas
Political Environment	Strategic Leadership & Management	Contract, Project & Programme Management Skills
Managing Expectations	Financial Control	Fraud
Legal Challenge	Evidenced Decision Making	Commissioning & Service Delivery Chains
Maximise Public Sector Partnership Effort	Reputation	Prevention & Early Intervention
	Local Development	Vulnerable Care
	Public Health & Wellbeing	
	Workforce Capacity & Capability	

13.0 Access to Information

13.1 Risk Management Policy

The updated Risk Management Policy was approved by Cabinet at its meeting on 20 August 2012.

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

Name: Joanne Butler
Designation: Performance and Risk Manager
Tel No: 01270 685999
Email: joanne.butler@cheshireeast.gov.uk