

CHESHIRE EAST COUNCIL

Cabinet

Date of meeting: 22nd July 2014
Report of: Chief Operating Officer
Title: Risk Management Policy Review
Portfolio Holder: Councillor David Brown, Strategic Outcomes

1.0 Report Summary

- 1.1 Cheshire East Council, as a publicly accountable body, must be able to demonstrate effective management of the risks and opportunities which affect the achievement of its strategic objectives. The Council's strong risk management arrangements provide it with a structured, consistent and continuous process for identifying and reporting on opportunities and threats that affect the achievement of its 3 Year Plan objectives and outcomes.
- 1.2 The Council's risk management policy was last amended and approved by Cabinet at its meeting on 22 July 2013. At that meeting Cabinet agreed that the policy be reviewed annually. This report updates Cabinet on the review recently carried out and summarises the proposed changes in section 3. In summary, while the risk management policy remains fit for purpose, a number of amendments have been made to strengthen both the policy and the risk management framework. The updated policy is attached at Annex A for Cabinet's consideration and approval. It has been reviewed by the Corporate Leadership Board and the Audit and Governance Committee.
- 1.3 The Council's risk management framework strengthens the effectiveness of its overall governance, and provides a mechanism to ensure that the balance between risk and reward is reflected in its decision making. 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 both opportunities and risks. This increases the likelihood of the Council achieving its strategic priorities.
- 1.4 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.
- 1.5 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 ambitions whilst effectively dealing with the challenges of austerity. This approach has provided a platform to modernise and transform the Council in a systematic way. The focus has been

to deliver sustainable quality cost effective services that are needed by Cheshire East residents and businesses.

- 1.6 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 threats, 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'. Halfway through its 3 Year Plan, the Council is now using its risk management framework to anticipate eventualities and help it respond to changes by ensuring that it is fit for purpose to meet the needs of Cheshire East residents and businesses.

2.0 Recommendation

- 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 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 Council for identifying 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. Cabinet needs to provide a consistent, coherent, sustained and visible leadership in terms of how we behave and respond when dealing with risk.
- 3.3 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 as attached at Annex A to this report. The amendments were as follows:
- 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, that we are committed to best practice in risk management and 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 but added at 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 at Appendix C

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 Implications for Rural Communities

7.1 None in relation to this report.

8.0 Financial Implications

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

9.0 Legal Implications

9.1 As well as the need to protect the Council's ability to achieve its strategic priorities 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.

10.0 Risk Management

- 10.1 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 framework (which includes the role and work of the Corporate Risk Management Group) is operating effectively. The content of this report aims to mitigate the following risk:

Key Risk
That Cheshire East Council fails to properly develop, implement and demonstrate an effective risk management framework

11.0 Background

- 11.1 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.
- 11.2 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 will include information on risk management of partnerships and projects.

12.0 Access to Information

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

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