Working for a *brighter future* together

Cheshire East
Council

RISK MANAGEMENT
POLICY AND APPETITE STATEMENT
2018-2020

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| 1.0 | Foreword and Attitude to Risk Management by Cllr Paul Findlow, Corporate Policy and Legal Services Portfolio Holder |

1.1 This risk management policy and appetite statement forms part of Cheshire East Council's internal control and corporate governance arrangements. This policy, and the adoption of the overall risk process, including allocating appropriate resources to risk management, is owned by the Acting Director of Legal Services with delegated authority from the Chief Executive. 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. Effective risk management is not about eliminating or avoiding risk, indeed with active risk management we may decide to take more risks on an informed basis to innovate as effectively and cost efficiently as possible as we continue to transform and achieve our ambition. Through the implementation and embedding of an effective risk management framework, and ensuring an appropriate risk appetite for Cheshire East Council, we will ensure that it is better placed to manage its performance, achieve its corporate objectives and provide an enhanced level of service and outcomes to the community.

Cheshire East Council

Risk Management Policy and Appetite Statement

| 2.0 | Managing risk is part of good governance and good business management |

2.1 As the Council looks towards 2020, even over this relatively short period of time, there will be a host of factors which influence the nature of the Council's relationships with its residents, businesses, communities, neighbouring authorities, and other key partners. These factors challenge the Council to continually review its systems and approaches, and to experiment with new ideas allowing mixed and flexible use of its resources. In this constantly evolving environment, with a need to continually adapt internal organisation to meet legal requirements, economic challenges, urban changes, demographic and social changes, managers and decision makers will face risk.

2.2 Consideration and response to existing and new threats, and the ability to recognise and seize new opportunities, is fundamental to achieving the Council's desired corporate objectives and outcomes in the Corporate Plan 2017-2020. Underlying this is a commitment from the Council to transparency and good governance. Decisions of the Council are evidence based and subject to appropriate challenge, this encompasses having high standards of governance. Effective risk management is a key principle of corporate governance and a key contributor to a sound control environment.

2.3 A risk is an expression of uncertainty and 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. Risk is part of everything we do. Managing risk improves the way we deliver our business. It is acknowledged that some risks will always exist and will never be eliminated but through risk identification we anticipate eventualities and it helps us to respond to changes in need.

2.4   There are two principal objectives detailed below which outline the Council's approach to risk management and internal control:

     2.4.1 Objective 1: Risk Governance and Culture: Embed risk management into the ethos, culture, policies and practices of the council so that risk management is an integral part of the council's decision making, management and governance practices.

     2.4.2 Risk management plays a key role in helping us achieve our corporate objectives and outcomes. It helps ensure decision-making is better informed; precious resources are used efficiently and it helps us to avoid unwelcome surprises. Good risk management should be an integral part of everyday business, including performance management, business planning and assurance activity.

     2.4.3 Objective 2: Risk Management Arrangements: Ensure the council successfully manages risks and opportunities at all levels – strategic, operational, programme, project and partnership so that it increases the probability of achieving its objectives and outcomes.

     2.4.4 Accountability for business delivery brings with it responsibility for identifying, assessing, owning, managing and communicating key risks to that delivery. This requires the collaborative effort of our Members, all our staff and our key partners.

2.5   This Statement sets out Cabinet and the Corporate Leadership Team's commitment to managing risks effectively across the Council, and the standard of risk management we expect across the Council. It seeks to demonstrate the explicit commitment to effective risk management from the top of our organisation and is inclusive to the rest of the organisation. The Policy Statement aims to sets the right tone for the organisation and to increase the likelihood that the management of risk will be given appropriate consideration.

3.0   Cabinet and the Corporate Leadership Team will ensure we have an environment that will allow well managed risk taking to excel

3.1   We will:

- Lead by example with a combination of positive attitudes, behaviours and activities to create an environment where consideration of risk is part of everything we do
- encourage innovation and considered risk-taking, and in doing so improve delivery of services and secure better value for money for our residents

- promote open, honest and collaborative discussions about our risks and encourage a culture where our staff feel comfortable in escalating risks and concerns
- communicate clear messages, ensuring everyone understand the role they have to play in identifying and managing the key risks and opportunities we face in the successful delivery of our business objectives
- create a no-blame risk environment to support the effective management of risk
- engender a continuous improvement mind-set towards the way we manage risk, learning lessons along the way.

4.0	Cabinet and the Corporate Leadership Team will ensure that staff have the skills and knowledge they need to fulfil their risk management responsibilities

4.1   We will support risk management by:

- ensuring all managers have a good understanding and awareness of risk management to enable them to fulfil their duties
- equipping our staff with the tools, skills and time they need to fulfil their risk management responsibilities for example through the provision of training, guidance, templates, and by allowing time on meeting agendas for risk discussion
- encouraging and supporting staff in the identification and discussion of risk in their everyday business; and pro-actively dealing with risks that come to their attention
- ensuring that key risks are visible; are owned at the right level of the organisation; and are actively addressed

5.0	Cabinet and the Corporate Leadership Team are committed to the consistent application and embedding of the agreed risk management behaviours and approach across the Council.

5.1   We will:

- lead by example in taking ownership and being accountable for Corporate and Directorate level risks, ensuring that effective and proportionate action is taken to mitigate those risks
- implement a standard approach to risk management throughout Cheshire East Council
- integrate the management of risk into our business processes including finance, planning, performance management, key decision-making processes, project and programme management and major change initiatives.

6.0	**Cheshire East Council Risk Appetite Statement**

6.1   Understanding and setting a clear risk appetite 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 appetite 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 risk appetite 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.

6.2   This risk appetite statement sets out how Cheshire East Council balances threats and opportunities in pursuit of achieving its objectives. The statement forms a key element of the Council's assurance and governance framework and is set by Cabinet. Breaches of risk appetite, or tensions arising from its implementation will be dealt with by the Cabinet and may reflect a need to review the risk appetite statement. In determining the statement, it is recognised that risk appetite is subject to change and needs to flex in line with the organisation's strategic environment and business conditions; and as such the statement will be reviewed on a regular basis.

6.3   The Council distinguishes between those risks which are operational in nature and as such are within our control (such as Employee Engagement and Retention) and those external risk factors (such as exiting the European Union) which are not directly within our control but which nevertheless must be identified and considered to address those risks we can influence or contingency plans we need to make.

6.4   Overarching Risk Appetite Statement

6.4.1   Cheshire East Council recognises that in pursuit of its objectives and outcomes it may choose to accept an increased degree of risk. The council will establish and articulate risk appetite 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 threats are fully understood before developments are authorised, that it has sufficient risk capacity and that sensible measures to mitigate risk are established.

6.4.2   The Council is **not averse** to taking risks; our approach is based on judgement and the circumstances of each potential action, and an assessment of its impact. This means we will not seek to intervene in all risk situations, rather we prioritise in terms of the risk, cost and perceived benefits in a consistent and transparent way, choosing the most appropriate course of action from our risk management tools. In determining the risk appetite for an activity we take account of anticipated outcomes and benefits, internal and external drivers for the activity, risk exposure, and the Council's risk capability and capacity to manage risk. This includes key questions around financial and reputation capability; sufficiency of infrastructure, knowledge, people and skills; and political and stakeholders views.

6.4.3   Statutory / External Regulatory: The public sector is undergoing reform, involving new legal frameworks, the creation of new delivery models, and new entities for the Council to engage with. We are regulated and we are also regulators. We are **averse** to risks to our

statutory obligations and to our objectives relating to those we regulate that must meet standards required by law. We have an **open** appetite for taking well managed risks where innovation and change creates opportunities for discernible benefits and clear improvement in our ability to achieve our objectives.

6.4.4   Operational: In acknowledgement of the maturity of our multiple service areas, we maintain a **cautious** risk appetite towards sustaining appropriate operational processes, systems and controls to support delivery but adopt a more **open** appetite for the development and enhancement of these systems. As the Council looks to set a Commercial Strategy and detailed commercial objectives these will be risk assessed and a risk appetite defined.

6.4.5   We are heavily reliant upon information and data to be able to operate as an effective Council and therefore have a **minimalist** appetite for risks to information and data objectives. The accidental or deliberate wrongful disclosure of sensitive or restricted information has the potential to result in financial penalties, erode trust, damage our reputation and ultimately prevent us from being able to function.

6.4.6   Countering Fraud and Corruption: We are **averse** to the risks of internal fraud and corruption and will maintain appropriately robust controls and sanctions to maximise prevention, detection and deterrence of this type of act or behaviour.

6.4.7   Legal: Where we are working with relatively untested legislation we are willing to adopt an **open** risk appetite to achieve our statutory objectives and to determine the extent of the Council's powers and our jurisdiction. We retain an **averse** risk appetite to behaving in an illegal, unreasonable or irrational way or any other way which would likely give rise to a successful judicial review.

6.4.8   Reputational: We rely on our reputation in order to secure the engagement of our key stakeholders, businesses, partners, communities and residents. The support of these parties is essential to achieving the Council's Corporate Plan and our objectives and we have a strong commitment to being seen as a responsible, efficient and effective organisation and retain an overall **cautious** risk appetite with regard to our reputation. We are however prepared to take a stance which may be opposed to some of our audience where we believe it is necessary for the achievement of one or all of our statutory objectives.

6.5   Risk Capacity
The Council's risk capacity is determined through understanding the following areas:-
- Reputation – can the council withstand pressures as they arise as a result of the activity
- Financial – is there sufficient financial contingency for the activity
- Political – what political tolerance is there for any adverse risk events materialising
- Infrastructure –is there sufficient infrastructure to manage risk
- People – is there sufficient trained and skilled individuals
- Knowledge - is sufficient knowledge available to the council

6.6 Risk Tolerance and Thresholds

6.6.1   Tolerance levels will be established for organisational activities at different levels across the Council and a risk contingency will be determined and defined for different business areas. Access to contingency has to be approved by the budget holder or the Interim Executive Director of Corporate Services. Where analysis indicates that the returns or outcomes will deviate by more than acceptable limits these will have to be referred as soon as the deviation is forecast. This includes forecasts that may enhance objectives as well as those that may erode objectives.

6.7 Definitions

Appetite	Description
Hungry / High Risk Appetite 5	Eager to be innovative and choose activities that focus on maximising opportunities to achieve objectives (with additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk that may result in reputation damage, financial loss or exposure.
Open / Moderate Risk Appetite 4	Willing to undertake activities seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Cautious / Modest Risk Appetite 3	Willing to accept / tolerate a degree of risk in certain circumstances when selecting which activities to undertake to achieve key objectives, deliverables or initiatives, where we have identified scope to achieve significant reward and/or opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
Minimalist / Low Risk Appetite 2	Preference to undertake activities considered to be very safe in the achievement of key deliverables or initiatives. Activities will only be taken where they have a low degree of inherent risk. The associated potential for reward / pursuit of opportunity is not a key driver in selecting activities.
Averse / Zero Risk Appetite 1	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is paramount. The Council is not willing to accept risks under any circumstances and activities undertaken will only be those considered to carry virtually no inherent risk.