

## **Corporate Policy Committee**

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<b>Date of Meeting:</b>	23 March 2023
<b>Report Title:</b>	Strategic Risk Register Assurance Report Q3 2022/23
<b>Report of:</b>	Jane Burns, Executive Director Corporate Services David Brown, Director of Governance and Compliance
<b>Report Reference No:</b>	CP/37/22-23
<b>Ward(s) Affected:</b>	All wards

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### **1. Purpose of Report**

- 1.1. One of the responsibilities of the Corporate Policy Committee is to have a co-ordinating role across all other committees and exercising a corporate view of outcomes, performance, budget monitoring and risk management.
- 1.2. This report provides an update on the activity of the Council's Strategic Risk Register for Quarter 3 2022/23.
- 1.3. Reporting on the Strategic Risk Register supports effective risk management, is central to good governance and supports the efficient delivery of the Council's corporate plan objectives.

### **2. Executive Summary**

- 2.1. This report provides the Corporate Policy Committee with an update on the activity of the Strategic Risk Register for Quarter 3 2022/23 with the Strategic Risk Register set out in further detail in the report appendix.

### **3. Recommendation**

- 3.1. To note the position of the Strategic Risk Register for Quarter 3 2022/23.

### **4. Reasons for Recommendation**

- 4.1. Risk management is central to facilitating good governance and the achievement of corporate objectives. As a publicly accountable body, the Council must demonstrate effective identification and management of the

risks that threaten the achievement of its corporate objectives and the effectiveness of its operations.

## **5. Other Options Considered**

- 5.1.** No alternative options considered; this is an update report to support the Committee in meeting its responsibilities under its Terms of Reference.

## **6. Background**

- 6.1.** Risks included on the Strategic Risk Register are those which materially threaten the organisation's ability to achieve its strategic goals, in this case our corporate objectives in the Corporate Plan. This could be in the form of an individual threat to a specific objective, or the compound effect of a threat across several areas.
- 6.2.** Items on the Strategic Risk Register are "owned" by members of the Corporate Leadership Team and are reviewed on a quarterly basis. Co-ordination and administration of the Strategic Risk Register and the Risk Management Framework is undertaken by the Head of Audit and Risk Management.

### **Quarter 3 2022/23**

- 6.3.** Economic pressures through continued inflation increases and political uncertainty continued throughout the Quarter 3 period with significant winter pressures experienced in health and social care. This period also saw the continuation of employee disputes and strike action on railways and the start of action within other sectors, including Royal Mail, ambulance staff and nurses.
- 6.4.** The expectation of significant challenge to the Council's ability to maintain performance and continue achievement of the organisation's objectives, during quarter 3 was anticipated in the report to the Corporate Policy on 1 December 2022, due to the complexity and volume of the factors described above.
- 6.5.** As demonstrated in the updates provided in the tables below and the Appendix, effective risk management activity in the quarter has helped to either mitigate the impact of those challenges or avoiding further increase in the risk on a number of the strategic risks.
- 6.6.** Table 1 below sets out the strategic risk register content and the gross and net scores for Q3 22/23. Table 2 shows the net scores across the year to date, with the direction of travel being informed by the net position of the risk at the previous quarter review; Q2 2022/23. The heat map below (Chart 1) shows the continuing high concentration of critical and material rated risks.

**Table 1- Strategic Risk Register Position Quarter 3 2022/23**

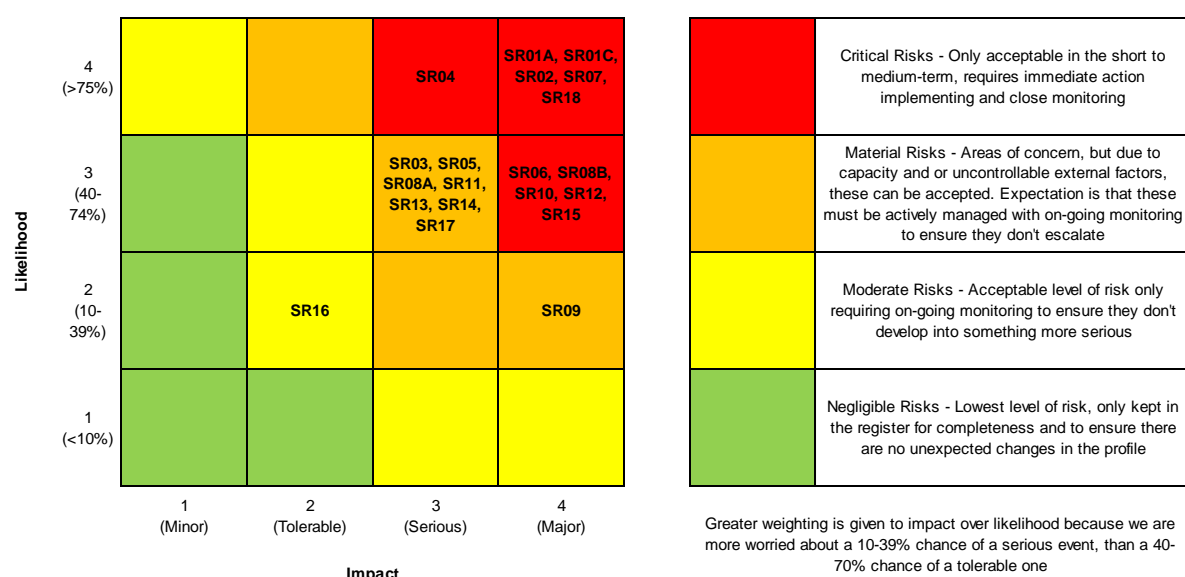
Ref	Risk	Q3 Gross	Q3 Net	Target
SR01A	Increased Demand for Adult's Services	16	16	9
SR01C	Increased Demand for Children's Services	16	16	9
SR02	NHS Funding	16	16	12
SR03	Failure of Financial Management and Control	16	9	9
SR04	Information Security and Cyber Threat	16	12	12
SR05	Business Continuity	12	9	9
SR06	Organisational Capacity and Demand	16	12	12
SR07	Failure of Council Funding	16	16	12
SR08A	Governance and Decision Making	16	9	4
SR08B	Political Uncertainty	12	12	6
SR09	Capital Projects - Place	16	8	8
SR10	HS2 Infrastructure Investment	16	12	6
SR11	Pandemic Virus	12	9	6
SR12	Fragility and Failure in the Social Care Market	16	12	9
SR13	Reputation	16	9	9
SR14	CEC Carbon Neutral Status	16	9	6
SR15	Failure of the Local Economy	16	12	12
SR16	Integrated Care System (ICS) Integration*	16	4	1
SR17	Local Planning Authority Modernisation Plan	12	9	6
SR18	Delivery of the JTAI Improvement Plan	16	16	12

\*Risk closed this quarter

**Table 2 – Strategic Risk Register Net Scores and Direction of Travel**

Ref	Risk	Q1 Net	Q2 Net	Q3 Net	Target	Travel
SR01A	Increased Demand for Adult's Services	16	16	16	9	↔
SR01C	Increased Demand for Children's Services	12	16	16	9	↔
SR02	NHS Funding	16	16	16	12	↔
SR03	Failure of Financial Management and Control	9	6	9	9	↑
SR04	Information Security and Cyber Threat	12	12	12	12	↔
SR05	Business Continuity	9	9	9	9	↔
SR06	Organisational Capacity and Demand	12	12	12	12	↔
SR07	Failure of Council Funding	12	16	16	12	↔
SR08A	Governance and Decision Making	9	9	9	4	↔
SR08B	Political Uncertainty	12	12	12	6	↔
SR09	Capital Projects - Place	6	6	8	8	↑
SR10	HS2 Infrastructure Investment	16	16	12	6	↓
SR11	Pandemic Virus	9	9	9	6	↔
SR12	Fragility and Failure in the Social Care Market	16	16	12	9	↓
SR13	Reputation	9	9	9	9	↔
SR14	CEC Carbon Neutral Status	9	9	9	6	↔
SR15	Failure of the Local Economy	9	12	12	12	↔
SR16	Integrated Care System (ICS) Integration*	16	16	4	1	↓
SR17	Local Planning Authority Modernisation Plan	-	6	9	6	↑
SR18	Delivery of the JTAI Improvement Plan	-	16	16	12	↔

**Chart 1 – Strategic Risk Heat Map Quarter 3 2022/23**



- 6.7.** The descriptions to the right of the heat map have been developed to help provide better context to the ratings of risks.
- 6.8.** The increases in risk ratings seen over the last year could partly represent an organisation trying to maintain its planned trajectory while unexpected pressures increase. Table 3 below compares the current net risk scores (Q3 2022/23) to the previous year (Q3 2021/22). The increases in risk ratings over the 12-month period reflect the organisation trying to maintain delivery of its planned objectives, whilst managing increases in unexpected pressures.

**Table 3 – Q3 2021/22 and 2022/23 comparison.**

Risk	Q3 21/22	Q3 22/23	Comments
Increased Demand for Adult's Services	16	16	No change
Increased Demand for Children's Services	12	16	Increase
NHS Funding	16	16	No change
Failure of Financial Management and Control	9	9	No change
Information Security and Cyber Threat	12	12	No change
Business Continuity	9	9	No change
Organisational Capacity and Demand	12	12	No change
Failure of Council Funding	12	16	Increase
Governance and Decision Making	9	9	No change
Political Uncertainty	8	12	Increase
Capital Projects - Place	6	8	Increase
HS2 Infrastructure Investment	12	12	No change
Pandemic Virus	12	9	Decrease
Fragility and Failure in the Social Care Market	16	12	Decrease
Reputation	9	9	No change
CEC Carbon Neutral Status	6	9	Increase
Failure of the Local Economy	9	12	Increase
Local Planning Authority Modernisation Plan	N/A	9	New risk
Delivery of the JTAI Improvement Plan	N/A	16	New risk

- 6.9. The comparison suggests that the council has a greater level of exposure than a year ago which is consistent with our understanding of the economic situation and continuing pressures on local authorities arising from the cost of living challenges.
- 6.10. The longevity of risks within the Strategic Risk Register, particularly those shown as “Critical Risks” on the heat map, does not automatically mean that there is acceptance or tolerance of the risks.
- 6.11. Strategic risks, those which materially threaten the organisation’s ability to achieve its strategic goals, are by their nature, more complex to mitigate and manage. In many instances, aspects of the risk are being driven by external factors, or fundamental aspects of risk management are outside of the organisations control and influence and in such a situation there may only be a moderate ability for the council to reduce the absolute level of risk.

#### **Changes to individual risk descriptions and scores**

- 6.12. All strategic risks are detailed in full in Appendix A, changes to ratings and comments from the Quarter 3 update are described in this section of the report.
- 6.13. SR01A Increased Demand for Adult’s Services; No material change to the risk, actions updated.
- 6.14. Planning for the winter period November to January and the anticipated strike action in the NHS is in hand to manage forecast demand. Providers are reporting a slight easing in recruitment issues due to the use of overseas recruitment projects, which is reflected in the improvement in the social care market identified. Following discussion and reviewing current processes it has not been necessary to create a waiting list for assessments, however the waiting list for services continues albeit slightly reduced
- 6.15. SR01C Increased Demand for Children’s Services; No material change to the risk this quarter.
- 6.16. The Medium-Term Financial Strategy for 2023-27 will include growth proposals for children’s social care, school transport and SEND services in response to the demand in these areas. All indications are that demand, complexity and cost will continue to increase and therefore it is vital that the directorate and the service committee reviews its options to address the financial challenges for 2023/24 and beyond. The Children’s Directorate is committed to increasing the pace of implementing reforms and service improvements to make financial savings by reducing demand for expensive, reactive services. We will consider savings proposals and decisions to refocus and realign non statutory services to both modernise and future-proof our delivery model and ensure that spend is delivering best outcomes for children and best value.

- 6.17.** We have completed stage 1 of the DfE's delivering better value (DBV) programme to support the council to achieve a more sustainable financial position in relation to SEND. This has identified two priority areas of cultural change that will make the biggest difference on managing demand, and we have applied for a grant of £1.2m to deliver this cultural change.
- 6.18.** SR02 NHS Funding; No material change to the risk, there is a continued deficit across the health system, with unidentified savings. The newly formed Health and Care partnership is identifying system pressures and developing a transformation programme to reduce costs. Additional pandemic related funding and covid planning rules for the NHS end in March 2023. A return to statutory funding arrangements for local NHS organisations will need to be monitored to assess impact.
- 6.19.** SR03 Failure of Financial Management and Control; Net likelihood increased from a 2 to a 3, overall remains a material risk.
- 6.20.** In-year reviews have identified options and mitigating actions to help reduce net spending required during 2022/23; and along with reviews by CLT and Members have received information via Financial Review reports to service committees (and in the Draft MTFS) – but latest forecasts still indicate an overspend for the current year, which will consume a level of reserves, and consequently make resilience and contingency planning more challenging for the medium-term.
- 6.21.** Business planning developed for the 2023-27 MTFS update has reflected this change in reserve levels – and also that 'core spending power' changes facilitated by central government as regards grant allocations and ability to raise council tax fall significantly short of the estimates of spending required, due to inflationary pressures and increases in demand for services. As a consequence, the draft MTFS 2023-27 includes a number of significant proposals which, although now approved after February Council, may still be challenging to deliver, within the necessary timescales in order to deliver the quantum of 'net spending change' required to stay within budget.
- 6.22.** The plans for delivery tracking and management are described above – but nonetheless the risks of failure in service budget management and control are recognised as increasing, and this is reflected in change in the Risk Scores shown above.
- 6.23.** SR04 Information Security and Cyber Threat; Even though that there are mitigation activities within the organisation which can limit the exposure of risk and minimise likelihood it is felt that the Net Risk should remain constant.
- 6.24.** Work continues on defining activities and actions that will support the Security & Compliance HLBC. This work has been supported by the Council's technical advisor Info-Tech. Activities in relation to new reporting and detection capabilities provided by the Council's acquirement of

Microsoft E5 licences are ongoing. There have been phishing tests across the workforce and supported e-learning to increase the understanding across the enterprise.

- 6.25. There is still significant activity that affects the likelihood of attacks, through the direct consequence of international conflict and state actors and through the financial benefits that can be derived from ransomware disruption.
- 6.26. SR05 Business Continuity; there has been no change to the risk's rating from the previous quarter.
- 6.27. As the contract for software expires in Q4 2022/23, consideration has been given to the on-going use of software to support the organisation's administration of business continuity plans with alternative approaches being explored. These need to ensure that BC impact assessments and plans are completed in a consistent standard format and can be updated promptly and easily to reflect organisational changes.
- 6.28. SR06 Organisational Capacity; No changes to any risk scores. The labour market nationally remains challenging, and the cost-of-living crisis continues to impact on staff financially and in terms of their wellbeing and resilience. The pay award for local government employees was applied in December.
- 6.29. The vacancy rate has also been affected slightly by the in-year financial challenge and the need to recruit to only business critical roles.
- 6.30. An internal audit is about to begin in relation to the Council's use of Agency Workers and the results will be used to inform future use. This will also help to address increasing costs and improve recruitment of hard to recruit vacancies.
- 6.31. SR07 Council Funding; In-year reviews have identified options and mitigating actions to help reduce net spending required during 2022/23; and along with reviews by CLT and Members have received information via Financial Review reports to service committees (and in the Draft MTFS) – but latest forecasts still indicate an overspend for the current year, which will consume a level of reserves, and consequently make resilience and contingency planning more challenging for the medium-term.
- 6.32. Business planning developed for the 2023-27 MTFS update has reflected this change in reserve levels, along with 'core spending power' changes facilitated by central government as regards grant allocations, and ability to raise council tax. However, the allocations and 'flexibilities' afforded by government fall significantly short of the estimates of spending required, due to inflationary pressures and increases in demand for services.
- 6.33. Consequently, the risk score after planned mitigating actions has been increased – in terms of Likelihood – now that the challenges of core spending power v spending requirement are more evident.



- 6.34.** SR08A Governance & Decision Making; No material change to the risk at this time. It is noted that a public interest report has been published 18th January 2023 but that it falls beyond the time horizon of this update. The public interest report reflects an occurrence where mitigation of risk was not successful. However, it is recognised that positive and significant changes have been made and continue to be made to governance processes since 2015.
- 6.35.** Alternative Service Delivery Vehicle (ASDV) governance review has been commenced by a working group of the Finance Sub Committee. The report is due to be presented in March 2023. Confirmation of the regulatory framework and requirement for voter ID for the 2023 local elections. The Council will be one of largest electoral areas in the first cohort to implement the new requirements. The changes for some residents may create the potential for groups to feel disenfranchised. A clear audit record of actions undertaken by Cheshire East will be maintained to ensure any learning for the wider sector is captured.
- 6.36.** The annual governance statement is delayed. The review of ASDV Governance arrangements is progressing. The CIPFA review of the Audit and Governance Committee has also commenced.
- 6.37.** SR08B Political Uncertainty; No material changes to the risk at this time although the local timetable for elections (May 2023) has replaced that of national.
- 6.38.** At the end of the period (December 2022) leadership of central government had stabilised after a period of rapid change during October. Q4 will see a new MTFS, and revised spending which includes changes to council services, presented for approval by members as a result of unexpected economic pressures. Q4 will also see the council enter into the pre-election period, for Cheshire East Council and town and parish councils. The elections will return all councillors for the borough for a period of four years.
- 6.39.** SR09 Capital Projects - Place; Net impact increased, description updated to support the increase in net score from 6 to 8. Council teams are progressing by managing the risks in projects and programmes brought on by increases in construction cost inflation and interest rates by reviewing of budgets, value engineering, and by reprofiling of programmes. Bank of England and government bringing in measures to control inflation.
- 6.40.** SR10 HS2 Infrastructure Investment; likelihood reduced from 4 to 3 but the overall rating remains critical.
- 6.41.** Council received notification on 19th January 2023 that it was unsuccessful in its bids for Levelling Up Fund Round 2 to deliver the Nantwich Road Bridge pedestrian/cycle bridges. The Council is awaiting feedback on the reason why the bids were unsuccessful. Government has announced there will be a further round of Levelling Up Fund and the Council is permitted to



re-submit its Round 2 bids. Details of LUF Round 3 have yet to be announced

- 6.42.** Monthly meetings between senior CEC officers and senior Government civil servants have been set up to develop a shared vision for Crewe and identify opportunities to bring forward station investments. This provides the opportunity for the Council to work collaboratively with Government on a solution for the Crewe hub.
- 6.43.** The Council is preparing for the next stage of the petitioning process, with the Phase 2b Select Committee now established. The Council is awaiting details on the Committee timetable and a date for its hearing.
- 6.44.** SR11 Pandemic Virus; No change to the risk ratings. The UKHSA is currently monitoring the spread of the XBB variant in the USA and the small number of cases within the UK as a potential source of a new wave of COVID. At present the level of the UK dominant strain (Omicron) is low.
- 6.45.** SR12 Fragility and Failure in the Social Care Market; Net score reduced from 16 to 12 as the care markets are showing some signs of recovery. The number of people awaiting a package of care in their own home has reduced by 73% over recent months and there is little to no waiting list in some areas of the more urban areas of the Borough. This is thought to be due to a combination of increased investment in domiciliary care and the impact of overseas recruitment. This is having a positive impact on the wider Health and Social Care system, although demand from acute care remains high. The Transfer of Care hubs have helped to expedite hospital discharge and reduce demand for traditional forms of care.
- 6.46.** Care home vacancies remain high, however, new care homes continue to open in Cheshire East and only one care home has closed in the Borough (the care home did not take Council commissioned placements). There is some evidence that use of agency staff in care homes is decreasing.
- 6.47.** Major risks for the sector in 2023/24 are the increase in NLW (9.7%), inflationary pressures and rising energy costs. While additional investment in ASC through hospital discharge funding and Market Sustainability Funding is welcomed and will help to support the sector it will not be sufficient to pay the local cost of care. The increase in fees during 2022/23 was funded non-recurrently.
- 6.48.** SR13 Reputation; there has been no change to the risk's rating from the previous quarter, comments are noted below.
- 6.49.** Communication & Media; Corporate Policy Committee approved the Communications Strategy for Residents on 1 December 2022.
- 6.50.** Consultation; a consultation and Engagement toolkit has been drafted and is now approved for use.

- 6.51.** Progress continues to be made in terms of Customer Experience, with a new Customer Charter and additional training launched in the period.
- 6.52.** SR14 CEC Carbon Neutral Status; No material changes to the risk in Q3. Previously identified pressures remain a significant hurdle but fleet emissions are addressed in proposals in the MTFS to accelerate the transition of the council's transit and small van fleet used in parks and street cleansing to electric vehicles, with associated infrastructure and charging points.
- 6.53.** Progression of further solar electricity generation as part of the Council's sustainable energy inset is progressing to committee for decision in Q4. Existing controls and planned actions are being delivered as expected. No significant events to note since the last update.
- 6.54.** SR15 Failure of the Local Economy; No substantive change in risk. Interest rates and inflation continue to be a concern. However, Bank of England and Government have identified actions to assist financial pressures and to return inflation to lower levels in next 12 months.
- 6.55.** SR16 ICS Integration; Given the current position it is recommended to close this risk and pick up as part of the adult social care risk.
- 6.56.** SR17 Local Planning Authority Modernisation plan; This quarter sees the first fully assessment and an increase upon the placeholder rating that was reported last quarter.
- 6.57.** The modernisation plan was initiated during this period after the October 31 Environment and Communities Committee meeting and therefore the strategic risk was identified. Key priorities have been identified (ICT system, application backlog, staffing/restructure and communications/ customer service) but resources to deliver the plan as expected are stretched, alongside significant budget pressures causing the risk to receive a high rating.
- 6.58.** SR18 Delivery of the JTAI Improvement Plan; No material changes to the risk, we are continuing to deliver our comprehensive partnership improvement plan which addresses all the recommendations from the inspection. We have submitted our plan to Ofsted as our statement of action in relation to the inspection. Governance arrangements are now in place to ensure there is effective scrutiny of progress and impact on outcomes for children and young people. Good progress is being made against the plan and changes to practice are starting to be shown through audits. The net risk score has not changed since Q2 as it is still early in our improvement journey, and we want to be able to demonstrate sustained impact of changes before reducing the risk.
- 6.59.** External support and challenge will be in place from January 2023 from the Department for Education Children's Improvement Advisor, who will be acting as the independent chair of our partnership Improvement Board. The

Improvement Advisor will conduct visits to services to evaluate the impact of changes and will support and advise senior leaders. This support will be in place for up to 12 months.

- 6.60.** The partnership has appointed an independent scrutineer to review the partnership's arrangements and make recommendations on how these can be improved. Phase 1 of this review has been completed which considered the governance arrangements for the Safeguarding Children's Partnership. The findings from this review were shared with strategic partnership leads in December 2022. The independent scrutineer is now conducting phase 2 of the review which considers the partnership's quality assurance and learning arrangements, including training. The partnership will review the findings of both of these reviews in a development day in early March 2023 and will agree the actions that will be taken in response to improve our arrangements.

### **Emerging Areas**

- 6.61.** Following the recommendation of the Finance Subcommittee on 9 November 2022, service committees received financial updates and the forecast outturn position relevant to their terms of reference. The provisional local government finance settlement for 2023 to 2024 was published on 19 December 2022, with the 2023 Budget Consultation beginning early in the new year. Consultation on the budget concluded on 30 January and decisions on the budget proposals will be made by Council on 22 February.
- 6.62.** The impact of the budget proposals upon the management of the Council's strategic risks will be closely examined during Quarter 4. This could lead to changes in the content of the strategic risk register, either in the description and scoring of existing risks on the register, or the inclusion of additional content.
- 6.63.** The organisation will then need to closely monitor the achievement of the MTFS proposals, particularly those relating to savings, during 2023/24 as mitigation activity for the strategic risks on Council Funding, and Financial Management and Control. This will also inform the review of related risks on the strategic risk register, and operational level risks reviews.
- 6.64.** The Council will also begin its pre-election period on 27 March, and local political uncertainty should be expected to continue until the outcome of the local elections at the beginning of May is clear.

### **7. Consultation and Engagement**

- 7.1.** Each risk included in on the Strategic Risk Register is "owned" by a member of the Council's Corporate Leadership Team. At each quarter, the risk detail is updated through managers in their areas of responsibility, and the updated register is reviewed collectively by the Corporate Leadership Team.

## **8. Implications**

### **8.1. Legal**

- 8.1.1.** There are no direct legal implications arising from the recommendations of this report. This report provides assurance that the Council achieves its strategic aims and operates its business, under general principles of good governance, that it identifies risks which threaten its ability to be legally compliant and operates within the confines of the legislative framework.

### **8.2. Finance**

- 8.2.1.** There is no direct impact upon the MTFS from the recommendations of this update report. Costs relating to implementing risk treatment plans are included within service budgets. The need to provide financial security against the impact of risks is considered on a case-by-case basis and either included within specific budgets within the MTFS or considered under the overall assessment of the required level of General Reserves as part of the Reserves Strategy.

### **8.3. Policy**

- 8.3.1.** Cheshire East Council has adopted the Risk Management Framework approved by Cabinet in June 2020. 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.

### **8.4. Equality**

- 8.4.1.** There are no direct implications arising from the recommendations of this update report.

### **8.5. Human Resources**

- 8.5.1.** There are no direct implications arising from the recommendations of this update report

### **8.6. Risk Management**

- 8.6.1.** This report relates to overall risk management and provides the Corporate Policy Committee with awareness of the most significant risks facing the Council, where strategic risks are emerging and assuring the Committee on how these are being managed.

### **8.7. Rural Communities**

- 8.7.1.** There are no direct implications arising from the recommendations of this update report.

## **8.8. Children and Young People/Cared for Children**

**8.8.1.** There are no direct implications arising from the recommendations of this update report.

## **8.9. Public Health**

**8.9.1.** There are no direct implications arising from the recommendations of this update report.

## **8.10. Climate Change**

**8.10.1.** There are no direct implications arising from the recommendations of this update report.

<b>Access to Information</b>	
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Appendices:	Strategic Risk Register – Appendix A
Background Papers:	None