

# CHESHIRE EAST COUNCIL

## REPORT TO: AUDIT & GOVERNANCE COMMITTEE

---

**Date of meeting:** 16 March 2017  
**Report of:** Bill Norman, Director of Legal Services  
**Title:** Risk Management Update Report  
**Portfolio Holder:** Councillor David Brown

---

### **1.0 Report Summary**

- 1.1 The purpose of this report is to provide the Audit and Governance Committee with an update on the most significant corporate risks to achieving the Council's desired outcomes in the Corporate Plan 2016-20.
- 1.2 At the previous meeting, the Audit and Governance Committee requested a short briefing from the Risk Owners / Managers of the two highest corporate risks. For this meeting the risk managers for CR1 (Increased Demand for People Services), and CR2 (NHS Funding and the Sustainability and Transformation Plan (STP) Impact), will attend the meeting to talk through the risks to explain the threats, the Council's response to these and the mitigating action taken to control the risks.

### **2.0 Recommendation**

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

### **3.0 Reasons for Recommendations**

- 3.1 The Council must be able to demonstrate effective risk management and internal control systems. Such systems cannot eliminate all risks, but it is the role of Audit and Governance Committee to provide independent assurance that they are robust and effective and take account of the corporate risks the Council is willing to take to achieve its strategic outcomes, and for ensuring that an appropriate risk culture is in place.

### **4.0 Cheshire East Council Corporate Plan 2016-20 – Corporate Risk Update**

- 4.1 Achievement of the Council Corporate Plan brings both risk challenges and opportunities. Cabinet and the Corporate Leadership Team work to ensure that the vision, culture and organisational structure are fully aligned, as the Council works as one to increase efficiency and undertakes major programmes to innovate as effectively and cost efficiently as possible. Against the backdrop of continued fiscal austerity, the Council is looking to the future with a sense of confidence in its ability to deliver on an ambitious agenda, whilst recognising that priorities change over time and that the Council must therefore be flexible in its approach to providing services and achieving its outcomes.
- 4.2 However, as we look to 2020, there will also be new risks arising:-
- ✗ from the shift from grant funding to a reliance on self-funding and in rethinking sources of income
  - ✗ from a focus on delivering outcomes rather than services alone
  - ✗ from the need for reinvestment in resources and services, ranging from health and social care to education and infrastructure
  - ✗ from the potential and power of digital and data to transform services and engage businesses, residents and communities

and opportunities arising:-

- ✓ from devolution to deliver both growth and whole system reform

- ✓ from influencing debate on legislative agendas
- ✓ from new collaborations across the public and private sector
- ✓ from ambitious regeneration projects to stimulate local growth

4.3 There are presently eleven threats and four opportunities detailed on the Council's corporate risk register; there has been no significant movement of the risks since the previous update to Audit and Governance Committee. The table below highlights the top 5 corporate risks and attached at **Appendix A** is a more detailed definition of these risks including the Risk Owner, Cabinet Strategic Lead, and comments on the net risk rating. For this meeting the risk managers for CR1 Increased Demand for People Services, and for CR2 NHS Funding and the Sustainability and Transformation Plan (STP) Impact, will attend the meeting to talk through the risks to explain the threats and controls.

**Table 1: 5 Highest Rated Corporate Risks**

Ref	Type	Risk Title	Rating	Direction
CR1	Threat	Increased Demand for People Services	12 High	↑
CR2	Threat	NHS Funding and Sustainability and Transformation Plan (STP) Impact	12 High	↑
CR3	Threat	Financial Resilience	12 High	↔
CR4	Threat	Contract and Relationship Management	12 High	↔
CR5	Threat	Information Security and Cyber Threat	9 Medium	↑

- 4.4 The assessment methodology used to score the risks is attached at **Appendix B** to this report for information.
- 4.5 This report has been reviewed by the Corporate Leadership Team as part of its responsibility for keeping under review the Council's effective management of risk.

## 5.0 Wards Affected and Local Ward Members

5.1 Risk management is inherent in everyone's role and responsibilities but no specific ward members have been consulted on this report.

## 6.0 Implications of Recommendation

- 6.1 **Policy:** Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective implementation are considered within team and department risk registers and as part of the risk management framework.
- 6.2 **Financial:** There are no financial implications in relation to this report. However, a risk around financial resilience is included as a corporate risk and general reserves are focused on the Council's potential exposure to risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose as part of the Medium Term Financial Strategy (MTFS) process.
- 6.3 **Legal:** This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and

that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.

## **7.0 Risk Management**

7.1 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 achieve the following risk objectives:-

<b>Key Risks</b>
That Cheshire East Council properly develops, implements and demonstrates an effective risk management framework
That Cheshire East Council applies its risk management policy consistently across the Council
That Cheshire East Council recognises risks and makes correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities

## **8.0 Access to Information/Bibliography**

### **8.1 Risk Management Policy Statement and Strategy**

The updated Risk Management Policy was approved by Cabinet at its meeting on 10 February 2016. The background papers relating to this report can be inspected by contacting the report writer:

Name: Bill Norman  
Designation: Director of Legal Services  
Tel No: 01270 685850  
Email: bill.norman@cheshireeast.gov.uk

## Top 5 Corporate Risks

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR 1 Threat	<p><b>Increased Demand for People Services</b></p> <p>(Cause) Risk that Cheshire East’s local social, economic and demographic factors lead to an increase in the level of need and demand for adults and children’s care services, (threat) such that the capacity of the Council’s systems in these areas is unable to continue to absorb the pressures, (impact) resulting in a possible lack of continuity of social workers/service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council’s outcomes that people live well and for longer, and have the life skills and education they need to thrive.</p>	Executive Director of People	Joint: Portfolio Holder, Adult Care and Integration  Portfolio Holder, Children and Families	12 High ↑	Likelihood of this risk occurring has been scored as ‘likely’ as it is known that both adult demand, and children’s demand is increasing alongside population growth, and longer life expectancy for both adults and children with complex needs. Taking a prudent approach to the risk scoring, if the increase in demand was significant the impact of this risk if it were to materialise could be critical with possible safeguarding issues due to the nature of the service delivery areas. Further work is planned to mitigate the impact of this risk in both service areas but presently the net score is 12 high risk.
CR 2 Threat	<p><b>NHS Funding and STP Impact</b></p> <p>(Cause) Risk that due to the financial deficit in the NHS, the five-year Sustainability and Transformation Plan (STP) to reshape the delivery of NHS services across the wider region, may cause a reduction in Cheshire East Council shared service delivery and NHS service delivery, (threat) shifting costs and demand which places additional strain on Council resources (impact) resulting in unmet need and potential difficulty in achieving the Council’s outcomes that people live well and for longer and local communities being strong and supportive.</p>	Executive Director of People	Joint: Portfolio Holder, Communities and Health  Portfolio Holder, Adult Care and Integration	12 High ↑	The STP has been drawn up on a regional basis and the likelihood of this risk occurring has been scored as ‘likely’ because there are significant financial issues to be addressed. If this results in a shift in costs and demand to the Council, this could have a critical impact on the achievement of the corporate outcomes and performance, with long term high costs. The net score is presently 12 high risk, work is ongoing to attempt to mitigate the likelihood and impact of this risk and the risk will be reviewed in April 2017.

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR 3 Threat	<p><b>Financial Resilience</b> (Cause) The reduction in funding from Central Government means the Council projects significant funding gaps over the next four years, (threat) there is a possibility that the Council does not adapt its financial plans in sufficient detail quickly enough, either by deferring the difficult decisions about services, using over-optimistic planning assumptions, or not rethinking sources of income. This may result in (impact) difficulties in closing and managing the budget gaps, financial stress and may impede the Council's ability to meet its statutory requirements, and deliver all of its intended outcomes and objectives in full.</p>	Chief Operating Officer	Portfolio Holder, Finance and Assets	<p><b>12 High</b> ↔</p>	<p>This risk is not exclusive to Cheshire East, and is presently a national risk for local government although Cheshire East is in a significantly better position than many other local authorities. The Council's financial plans focus on meeting increasing demand for expenditure on services, particularly in social care, with a strategy of local taxation and tax base growth alongside efficiency and productivity savings. As such the overall net risk rating is 12, high risk.</p>
CR4 Threat	<p><b>Contract and Relationship Management:</b> (Cause) Risk that the Council does not improve the effectiveness of its contract management arrangements, including skilled staff, to manage contracts and ongoing relationships with the Council's providers, in a timely manner (Threat) such that contractual arrangements may not be robustly specified, or that they fail to deliver expected outcomes and/or within contracted costs and/or within expected timescales and/or fail to comply with contract agreements. (Impact) This will affect the Council's ability to achieve all of its priorities and outcomes, realise agreed savings to ensure better value for money, and may have a detrimental effect on the Council's reputation for failing to deliver on our promises.</p>	Executive Director Place	Portfolio Holder, Corporate Policy and Legal Services	<p><b>12 High</b> ↔</p>	<p>The Council has a significant number of large value and service critical contracts. A recent audit of this area has resulted in a number of recommendations to improve the effectiveness of this control area with specified timescales. When this mitigation has been fully implemented and embedded this should reduce both the likelihood and impact of this risk. Presently the net risk rating is 12 high risk.</p>

Ref & Type	Risk Description (Including cause, threat and impact upon outcomes)	Risk Owner	Cabinet Lead	Rating & Direction	Comments
CR5 Threat	<p><b>Information Security and Cyber Threat</b> (Cause) Risk that as the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility and transaction requirements, (threat) it becomes increasingly at risk of a security breach, either malicious or inadvertent from within the organisation or from external attacks by cyber-criminals. (Impact) This could result in many negative impacts, such as distress to individuals, legal, financial and reputational damage to the Council, possible penetration and crippling of the Council’s IT systems preventing it from delivering its Corporate Outcomes.</p>	Chief Operating Officer	Portfolio Holder, Finance and Assets	<p>9 Medium ↑</p>	<p>The Council handles large quantities of data on a daily basis and receives a large amount of emails, around 90 million this financial year to date. Of this volume 78% is malware, viruses or spam. The risk of a security breach of some nature is ‘likely’, already this Financial Year we have more Incidents than last year, 73 compared to the last financial year of 56. The sophistication of the attacks is increasing and so the number and types of technologies to protect the Council will need to evolve to deal with the different complexity. There is increasing public concern, the Council needs to continue to provide a level of service and care of its information that will engender trust from residents and businesses.</p> <p>Existing mitigation controls reduce the likelihood, the Council has a number of technologies to reduce the risk of infection; this approach is known as layered defence or defence in depth so that if the infection evades one technology then others will stop any incursion but this is a constantly changing digital arena. If the risk materialises there is the potential of a ‘major’ impact on the corporate plan which may affect services in one or more areas for a short period and so the net risk rating is 9 Medium risk.</p>

SCORING CHART FOR IMPACT				SCORING CHART FOR LIKELIHOOD				
	Factor	Score	Effect on Corporate Objectives		Factor	Score	Description	Indicator
Threats	Critical	4	Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs.	Threats	Very likely	4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly
	Major	3	Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.		Likely	3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)
	Significant	2	Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.		Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
	Minor	1	Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect.		Very unlikely	1	<10% chance of occurrence	Rarely/never before
	Factor	Score	Effect on Corporate Objectives		Factor	Score	Description	Indicator
Opportunities	Exceptional	4	Result in major increase in ability to achieve one or more strategic objectives	Opportunities	Very likely	4	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
	Significant	3	Impact on some aspects of the achievement of one or more strategic objectives		Likely	3	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
					Unlikely	2	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.