

Audit & Governance Committee

Date of Meeting: 30 July 2019

Report Title: Annual Risk Management Report 2018/19

Senior Officer: Catherine Parkinson, Interim Director of Governance and Compliance Services

1. Report Summary

- 1.1. This report provides the Audit and Governance Committee with an overview on the Council's risk management arrangements during 2018/19 and the planned work programme for 2019/20.
- 1.2. The Council's risk management framework should provide a structured, consistent and continuous process for identifying, assessing, and responding to threats and opportunities that affect the achievement of the Council's corporate objectives.

2. Recommendation

- 2.1. That the Annual Risk Management report 2018/19 be considered and noted by the Committee.

3. Reasons for Recommendation

- 3.1. Risk management is central to facilitating good governance and the achievement of corporate objectives. As a publically accountable body, the Council must demonstrate effective identification and management of the risks which threaten the achievement of its corporate objectives, the effectiveness of its operations, and reliable financial reporting.
- 3.2. The Audit and Governance Committee has responsibility for monitoring the effective development and delivery of the risk management framework in the Council.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. The purpose of this report is to provide the Audit and Governance Committee with an overview of the Council's Risk Management arrangements during 2018/19. This supports the Committee in their role in monitoring the development and operation of Risk Management in the Council.
- 5.2. The Council's Risk Management Framework is underpinned by three key objectives:

Key Risk Objectives
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

The Risk Management Framework in operation

- 5.3. Operational risks have been managed and monitored via risk registers within Team Plans and Directorates. Monthly highlight reports, identifying key risks and risk management actions have been prepared for programmes and projects and monitored via programme and project board meetings. Individual risk assessment sections have been included on business cases and included in decision making reports to Committees and Cabinet.
- 5.4. During the year, the Corporate Leadership Team (CLT) has considered and discussed the Council's key corporate risks to ensure they have been assessed consistently across the Council and to monitor the implementation of actions to treat the risk to acceptable levels. Risks have been added to and removed from the corporate risk register during the year; these have been reported to the Audit and Governance Committee in risk management update reports.
- 5.5. Responsibility for risk management was undertaken by the Interim Executive Director of Corporate Services between the previous post holder leaving in February 2019 and the recent appointments of the Corporate Business Manager and Head of Audit and Risk Management.
- 5.6. These appointments see the responsibility for the development and delivery of the risk management framework sit within the Audit and Risk service. To maintain the independence of the Head of Audit and Risk Management, future assurance arrangements for reviewing risk management will have to

be undertaken via alternative means. This could include peer reviews using other organisations. These arrangements will be updated in the Internal Audit Charter in due course.

Changes to the Risk Management Framework

- 5.7. In May 2018 the Committee received an updated Risk Management Policy Statement, including a Risk Appetite Statement, which had been produced following a review of the council’s risk appetite. This was recommended for by the Committee to Cabinet and was adopted at their July 2018 meeting.
- 5.8. The Audit and Governance Committee received two further risk management updates during 2018/19, including an overview of the key corporate risks, corresponding risk ratings and the direction of travel of corporate risks.
- 5.9. The Chief Executive and CLT are responsible for promoting and supporting compliance with the Corporate Risk Management Policy and for managing the corporate risk register. In recognition of this role, CLT has introduced a quarterly risk management review, where risk registers are considered alongside other performance scorecard information.
- 5.10. Changes to the Corporate Risk Register are made following review by CLT and individual risk owners. The tables below outline the changes to the Corporate Risk Register during 2018/19. A summary of the current risk register is appended to the report along with the risk scoring methodology. (Appendices A and B)

Table 1: Corporate Risks Removed from the Register during 2018/2019

Ref & Type	Risk	Rating & Direction	Comments
CR4 Threat	Contract and Relationship Management	12 High ↔	Risk being managed at a Directorate level.
CR6 Threat	Countering Fraud and Corruption	6 Medium ↔	Controls have improved and being managed at a service level.
CR9 Threat	Increased Major Incidents	6 Medium ↔	The risk is being managed at a service level.

Ref & Type	Risk	Rating & Direction	Comments
CR11 Threat	Employee Engagement and Retention	6 Medium ↔	The risk is being managed at a programme level.
CR12 Threat	Adult Social Care Market Strain	12 High ↑	This is risk being managed at a directorate level.
CRO 2 Opp'ty	Devolution	3 Low ↔	This opportunity risk is being managed at a Directorate level.
CRO3 Opp'ty	Partnership Working	9 Medium ↑	Working well and removed as Business as Usual.
CRO4 Opp'ty	Infrastructure and Regeneration Funding	9 Medium ↔	Removed as Business as usual.

Table 2: New Corporate Risks added to the Register during 2018/2019

Ref & Type	Risk Description	Rating & Direction	Comments
CR8 Threat	Decision making	12 High ↔	Work commenced on the refresh of the Council's Constitution.
CR9 Threat	Capital Projects	8 Medium ↔	Changes in the management of major capital programmes are being implemented.
CR11 Threat	Local changes in NHS arrangements	9 Medium ↔	Shift in demand and costs to the council.

Review of the Risk Management Framework

- 5.11. A review of the Council's Corporate Risk Management Arrangements was undertaken by Internal Audit during 2018/19. The purpose of the review was to assess the effectiveness of the Council's Corporate Risk Management Framework. A review of operational risk management is included in the 2019/20 plan.
- 5.12. The review concluded that whilst risk management policies have been established, they need to be reviewed and updated. This extends to revisiting the Council's Risk Appetite and Risk Maturity. Revised policies need to be communicated across the Council and supported by regular training and monitoring.
- 5.13. As previously acknowledged, responsibility for Risk Management will now be undertaken by the Head of Audit and Risk Management.

Business Continuity

- 5.14. In June 2018 the authority undertook an awareness raising campaign by undertaking a Cyber Attack Awareness Exercise with colleagues from across various areas of the Council.
- 5.15. The awareness session included a short briefing by ICT Shared Service as to the cyber risks faced by Cheshire East Council. The exercise was discussion based using a relevant scenario of the Council's ICT systems and network being attacked and switched off. The training was well received.
- 5.16. Business continuity implementation has moved forward during 2018/19 including the purchase of a business continuity tool which provides a database of all business continuity plans in place across the council to ensure service delivery continues, disruption is minimised and improves overall resilience. Further progress in this area was facilitated by the funding received by the Council from the Ministry of Housing, Communities and Local Government (MHCLG) in preparation for leaving the European Union.

Risk Management - Corporate Insurance

- 5.17. During the year the Corporate Insurance Team received support from the Council's insurers on reviewing risk management arrangements in relation to Motor Fleet Management, Managing Building Risk and Tree Risk Management. The aim of the reports, whilst providing a useful communication tool between the insurance team and the services themselves, was to provide a focus for service managers to address any improvements that may be evident in their processes and procedures.

- 5.18. The improvements in risk assessment and awareness should contribute to a reduction in the volume of successful claims made against the authority, thereby improving the financial position of the Council.

Risk Management – Health and Safety

- 5.19. Health and Safety matters are regularly reported to the Council's Staffing Committee. The Health and Safety Team have delivered a number of training courses to Council staff over the last year including Leading and Managing Safely courses; these courses all help to improve risk assessment and awareness.

2019/20 Work Plan

- 5.20. Priority will be given to the implementation of actions identified in the internal audit report to ensure that the risk management framework is refreshed. This includes training for officers and members, review of risk management documentation, and the review of risk scoring. Support will also be given to ensure the regular review of risk and to facilitate risk management workshops to support the business planning process.
- 5.21. Delivering the implementation of the business continuity tool, with associated training and testing will also be a key focus of the 2019/20 work programme.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. Risk management can relate to legal aspects of the council's business, however, the content of this report does not have any specific legal implications. Legal risks to the organisation are incorporated in the Service plans risk registers. 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.

6.2. Finance Implications

- 6.2.1. There are no financial implications in relation to this report. Costs relating to implementing risk treatment plans are considered on a case by case basis and either met from existing departmental budgets.
- 6.2.2. 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.

6.2.3. The Council and its public sector partners are confronted with growing demand in particular in health and social care needs, this is in combination with severe resource constraints. There is considerable interest in the potential of innovation in service delivery and partnership working to help address such challenges and this may require an increased risk appetite which in turn may lead to increased financial risk.

6.3. Policy Implications

6.3.1. 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.

6.4. Equality Implications

6.4.1. There are risks that have Equality & Diversity implications and these are identified in our risk registers.

6.5. Human Resources Implications

6.5.1. Human resource implications in relation to this report include:-

- the need for training on risk management and business continuity to improve skills and knowledge for staff to fulfil their responsibilities.
- the need for managers to lead through a combination of positive attitude and behaviours towards risk management and business continuity.

6.6. Risk Management Implications

6.6.1. This report relates to overall risk management; the Audit and Governance Committee should be made aware of the most significant risks facing the Council and be assured that the risk management framework is operating effectively.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

6.8. Implications for Children & Young People/Cared for Children

6.8.1. There are no direct implications for children and young people.

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change.

7. Access to Information

7.1. Risk Management Update Report to Audit and Governance Committee – July 2018

7.2. Risk Management Update Report to Audit and Governance Committee – September 2018

8. Contact Information

8.1. Any questions relating to this report should be directed to the following officer:

Name: Sophie Thorley


Job Title: Corporate Services Business Manager

Email: sophie.thorley@cheshireeast.gov.uk


Appendix A: Extract from the Corporate Risk Register: May 2019

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
CR1 Threat	<p>Increased Demand for People Services: (Cause) Risk - that Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and increased demand for adults and children's social care services, (threat) resulting in the capacity of the Council's systems relevant to these areas are unable to continue to respond/ absorb the pressures presented, (impact) resulting in a possible lack of continuity of social workers/ increased market failure pertaining to a range of service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's desired outcomes - that people live well and for longer, and have the life skills and education they need to thrive.</p>	<p>Likelihood of this risk occurring has been scored as 'likely' as it is known that both adult demand, and children's demand is significantly increasing alongside overall population growth, and longer life expectancy for both adults and children with more complex presenting needs. Links to CR2 - if demand shifts to the Council as a result of National Health Service (NHS) and Health and Care Partnership Plan risks and also CR3 in relation to financial resilience as demand continues to increase. This may also have an increased impact on CR4 - contract management - given varied demand continues to increase linked to the quality of the market, number of providers, national policy expectations etc. May 2019: 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.</p>	Acting Executive Director of People	<p>Portfolio Holder, Adult Social Care and Health</p> <p>Portfolio Holder, Children and Families</p>	<p align="center">12</p> <p align="center">←→</p>	No change


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		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 increase in safeguarding issues due to the nature of the service delivery areas. The net score remains at 12 high risk.				
CR2 Threat	<p>NHS Funding and Health and Care Partnership Plan (Cause) Risk that due to the increasing financial deficit in the NHS, the five-year Health and Care Partnership Plan 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</p>	<p>There are significant financial issues to be addressed and if this results in a shift in costs and demand to the Council this will further exacerbate corporate risks 1 (Increased Demand for People Services) and 3 (Financial Resilience). May 2019: Work across a number of work-streams at STP (Cheshire and Merseyside) and Cheshire East level are progressing. To date these have not made any significant impact on the deficit faced within the health commissioning and provider organisations. However their financial position is stabilised and appears not to be worsening. The net risk score remains at 16 because there has not yet been a reduction in the anticipated</p>	Acting Executive Director of People	Portfolio Holder, Adult Social Care and Health	<p align="center">16 </p>	No change


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Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	communities being strong and supportive.	deficit position.				
CR3 Threat	<p>Financial Resilience (Cause) The reduction in funding from Central Government means the Council must manage funding shortfalls over the next four years, through reduced expenditure, managing demand or increased local income. (Threat) There is a possibility that the Council does not adopt 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 in a sustainable way. (Impact) This may result in difficulties in closing and managing the funding reductions, 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>	<p>This risk will be further exacerbated if corporate risks 1 – Increased Demand for People Services and corporate risk 2 NHS Funding and Health and Care Partnership Plan. This risk could be further impacted by CR7 is this has an impact on local growth or economic wellbeing which undermines investments of growth assumptions in the local tax bases. May 2019: The Council has financial plans in place to manage funding shortfalls which will be reviewed regularly. The impact of this risk should it materialise is reduced as the Council has a track records of underspends or managing year end positions within the parameters of the Reserves Strategy. The overall net risk rating is 12, high risk.</p>	Interim Executive Director of Corporate Services	Portfolio Holder, Finance, IT and Communications	<p align="center">12</p> <p align="center"></p>	No change


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CR4 Threat	<p>Information Security and Cyber Threat (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>	<p>This risk has interdependencies with corporate risk CR5 Business Continuity. It also has links to the Financial Resilience risk as funds for maintenance and replacement will be stretched placing additional strain on assets and resilience of information security controls. May 2019: The Council handles large quantities of data on a daily basis and receives a large amount of emails, of this volume 78% is malware, viruses or spam. The risk of a security breach of some nature is 'likely', the likelihood of this risk is increasing globally as the number of incidents of corporate and public sector bodies having their IT systems hacked and data being stolen is rising. There is a rise in the number of ransomware attacks, with the outage of the NHS systems highlighting the effects such an attack can have on the operations of an organisation. The more the Council is aware of information, its importance and its value; it is increasingly likely that the number of Information Breaches will</p>	Interim Executive Director of Corporate Services	Portfolio Holder Finance, IT and Communications	<p align="center">12 </p>	No change

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Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
		<p>increase. The Council has a number of technologies to reduce the risk of infection. Although existing mitigation controls reduce the likelihood the threat is ever increasing. 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 12 High Risk.</p>				
CR5 Threat	<p>Business Continuity Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems etc.) such that the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.</p>	<p>Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems etc.) such that the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period. This risk has interdependencies with CR4, Information Security and Cyber Threat. May 2019: The net risk rating is 6 medium. Whilst the majority of incidents are</p>	Interim Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	<p align="center">6</p> <p align="center"></p>	




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Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
		outside of the Council's control this risk remains unlikely but could have a major impact if it materialised. The implementation of the Business Continuity Action plan is ongoing.				
CR6 Threat	Capacity and Demand Risk – Corporate Enablers Risk that reducing and reduced staff resource alongside increasing demand and additional unplanned work results in key resources being overstretched and having insufficient capacity to deliver all business plan requirements, resulting in business operational issues and pinch points, possible failure to deliver priority activities and projects, adverse organisational behaviour and a detrimental impact upon physical, emotional and mental wellbeing of staff impacting upon to the Council's ability to deliver all of its intended objectives and outcomes.	Sept 18: The Council recognises the pressures on staff through reduced and reducing capacity. Creating an environment within which colleagues can grow and thrive is a top priority, and a range of programmes and initiatives support this with links to corporate risk 11. Ensuring all staff, members and partners have a shared sense of purpose, common and achievable goals, alongside ruthless and ongoing prioritisation will help to reduce this risk presently rated at 6, medium risk.	Interim Executive Director of Corporate Service	Portfolio Holder, Public Health and Corporate	12 	No change
CR7 Threat	EU Exit, Single Market and Local Growth	The UK Government have confirmed that negotiations on the UK's exit from	Executive Director of	Portfolio Holder,	6	No change

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	Failure to be adequately prepared for the Exit from the EU particularly in relation to the potential impacts on Consumer Protection, Food Safety, Waste Operations Highways, Traffic Management and the business community.	the EU will commence by the end of March 2017. As of January 2017 it is clear that it is the UK Government's intention to leave the EU Single Market as a result of Brexit. The UK Government have confirmed that EU structural funds (the ESIF programme) will be maintained until the end of the current parliament (2020) (check could be whole life of programme now 2023) May 2019: CEMART has been stood down in line with the national battle rhythm following the extension to 31 October agreed by the EU. It will be stood up again if / when national preparations re-start.	Place	Environment and Regeneration	← →	
CR8 Threat	Decision Making Risk that the Council's Constitution is insufficiently detailed and/or contains inaccurate or ambiguous information leading to ineffective and inefficient decision making processes resulting in a failure to ensure value for money and non compliance with best practice and	Significant work has already been completed to refresh the Council's Constitution.	Interim Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	12 ← →	Reducing

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	statutory responsibilities.					
CR9 Threat	Capital Projects Risk that the Council's major capital projects are insufficiently managed to ensure that they are delivered on time, on budget and at the required quality level	Early discussions are underway regarding the resourcing and project management of capital schemes. Currently this is divided between Programme Management and Change and the Place Directorate.	Executive Director of Place	Portfolio Holder, Finance IT and Communications	8 	No change
CR10 Opp	Infrastructure Investment Securing the required investment to support our major infrastructure and development priorities particularly in relation to HS2 and delivery of the Crewe Hub	The council has strengthened its working arrangements with local public sector partners, government departments and commercial investors. The council has secured significant capital allocations to support major regeneration and development project to support key development projects in Crewe and Macclesfield. This risk requires ongoing work and monitoring to ensure that the opportunities come to fruition	Executive Director of Place	Portfolio Holder, Environment and Regeneration	8 	No change
CR11 Threat	Local Changes in NHS arrangements (Cause) Risk that due to the merging of the existing CCGs into one and the increasing financial deficit in the NHS it may cause a reduction in Cheshire East	There are significant financial issues to be addressed and if this result in a shift in costs and demand to the Council this will further exacerbate corporate risks 1 and 3 – Increased Demand for People Services and also Financial Resilience.	Acting Strategic Director of Adult Social Care	Portfolio Holder, Public Health and Corporate Portfolio Holder, Adult	9 	No change

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Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Rating and Direction of Travel for Residual Risk	Change from previous scoring
	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.			Social Care and Health		

Appendix B: Scoring Methodology

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
Opportunities	Factor	Score	Effect on Corporate Objectives	Opportunities	Factor	Score	Description	Indicator
	Exceptional	4	Result in major increase in ability to achieve one or more strategic objectives		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.