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## **Audit and Governance Committee**

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**Date of Meeting:** 05 December 2019

**Report Title:** Risk Management Update

**Senior Officer:** Jan Bakewell, Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. This report provides the Audit and Governance Committee with assurance on our Corporate Risk Management arrangements and updates on activity in the year to date. It also provides an overview on the Council's risk management arrangements to the end of quarter two 2019/20. This supports the Committee in their role in monitoring the development and operation of Risk Management in the Council.
- 1.2. The Council's risk management framework seeks to 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. Recommendations**

- 2.1. To note the update report on risk management provided for information and assurance.

### **3. Reasons for Recommendations**

- 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 that 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 operation of risk management in the Council.

#### 4. Other Options Considered

4.1. Not applicable.

#### 5. Background

##### Corporate Risk Register Review

- 5.1. Corporate risks were reviewed in May, July and September by the Corporate Leadership Team. All risks on the Corporate Risk Register, attached at Appendix A have now been reviewed, and updated in terms of scoring and description as required. Where necessary, corporate risks have been reassigned in recognition of recent appointments to the Council's senior management structure now being in post.
- 5.2. Details of the changes to the Corporate Risk Register are outlined in the table below.

**Table 1: Risks removed from the Corporate Risk Register**

Ref & Type	Risk	Rating & Direction	Comments
CR11 Threat	<b>Local changes in NHS arrangements</b>	9 ↔	Risk being managed at a Directorate level and is covered under other Corporate Risks.

- 5.3 The Corporate Leadership Team (CLT), supported by the Head of Audit and Risk and the Risk and Business Continuity Manager is undertaking a thorough review of the Corporate Risk Register to provide assurance that it is recognising the risks at the strategic level and the actions the Council is taking to treat risks.

##### Other developments

- 5.4 Operational risks are 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, Cabinet and Council.
- 5.5 Improvements in the identification and articulation of risks have been made during the development of service plans. The risks identified here provide a golden thread up to corporate risks which will strengthen the effectiveness

of risk management in the authority. These will be supported by a full risk register, including details of scoring and risk treatments.

- 5.6 Heads of Service have been asked to provide their risk registers, a large majority of which already exist. Completion is being monitored to ensure that every service has a risk register or is contributing to a department risk register. This will assist in providing assurance and visibility across the authority. Heads of Service have been offered support to improve risk registers in year and in readiness for the development of service plans in 2020/21.
- 5.7 The Council is reviewing its risk maturity rating to ensure a consistent methodology across directorates and by cultural change to inbed risk management. The Council's risk maturity level was last assessed in 2018 and was rated as approaching level three, Risk Defined with a target of level four Risks Managed out of an optimum score of five, Risk Enabled. A further assessment of our risk maturity is scheduled in quarter 4, so that the full impact of changes to policy and procedure can be recognised.
- 5.8 A training programme for Risk Management was provided to Heads of Service and began in November to provide refresher training specific to Cheshire East's Risk Management Framework. Training for Audit and Governance Committee members will be included in the Committee's training programme.
- 5.9 In practical terms, risk management is currently documented across individual risk registers and supporting documentation which is held across a variety of network locations and SharePoint sites. Whilst this ensures that information is available locally, central visibility and consideration of thematic/categories of risks is more challenging with this approach.
- 5.10 Risk management software options are being explored with a view to procuring and implementing the software before the end of 2019/20.
- 5.11 Responsibility for risk management is now managed by the Executive Director of Corporate Services, Director of Governance and Compliance, Head of Audit and Risk and the Business Manager for Corporate Services (Business Continuity and Risk) following recent appointments during Summer 2019.
- 5.12 The Chief Executive and CLT remain 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.

- 5.13 Individual managers remain responsible for the identification and management of risks within their service areas, projects, partnership activities and crosscutting service activities.
- 5.14 Heads of Service and other staff involved in the development of Business Continuity plans have received training both in the new Business Continuity system and in the subject matter itself. This element of the training is now complete and Services are inputting their Business Continuity plans into the system. The next stage of the project is for Directors and Executive Directors to receive training as approvers which requires their service business continuity plans to be on Clearview during December.
- 5.15 The next phase of business continuity work is underway with a group of staff across the organisation to develop a Corporate Cheshire East Business Continuity Plan. The purpose of this plan will be to identify measures that would be taken in the event of a major cross service business interruption e.g. loss of a corporate building or loss of information technology services. A Senior Crisis Management Team will be established to determine priorities should the authority be unable to deliver all of its critical functions at once. The Emergency Planning Team are also exploring use of Clearview for communication messaging.
- 5.16 Clearview is scheduled to be implemented in full by January 2020. A critical part of the implementation will be to utilise the tool in scenario testing. Results of scenario testing will be used to inform further development of business continuity plans and the Clearview toolkit.

## **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 The introduction of a risk management system will be a cost to the Council, which will initially be met from the EU Brexit funding allocation. However, ongoing annual support and maintenance costs of, will e met from the Audit and Risk management budget. Costs relating to

implementing risk treatment plans are considered on a case by case basis and either met from existing departmental budgets or addressed through the business planning process.

6.2.2 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 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 Whilst there are no direct equality implications arising from this report, risks which have equality and diversity implications and these are recognised in our risk registers as required.

### **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.

6.5.2 It is recognised that a corporate risk around employee engagement and retention is included on the corporate risk register, as is a risk around capacity and demand.

### **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 Contact Information**


7.1 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](mailto:sophie.thorley@cheshireeast.gov.uk)


## Appendix 1 Corporate Risk Register


Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now)			Commentary
					Likelihood L	Impact I	Total Score L x I	
CR1 Threat	<p><b>Increased Demand for People Services:</b> (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 staff working in social care/ 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</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. October 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</p>	Acting Executive Director of People	Portfolio Holder, Adult Social Care and Health. Portfolio Holder, Children and Families. Portfolio Holder, Corporate Services and Public Health	3	4	12	No change 



Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now)			Commentary
					Likelihood L	Impact I	Total Score L x I	
	thrive.	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 increase in safeguarding issues due to the nature of the service delivery areas. The net score remains at 12 high risk.						
CR2 Threat	<b>NHS Funding Pressure</b> (Cause) there is a circa £50 million pressure for the NHS across Cheshire East. Risk that due to the increasing financial deficit this may cause a pressure in Cheshire East Council shared service delivery and NHS service delivery. (threat) If there was a shifting of 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	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 CR 1 and 3 – Increased Demand for People Services and also Financial Resilience. October 2019: Work across a number of work-streams at Health and Care Partnership (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. The net risk score	Acting Executive Director of People	Portfolio Holder, Adult Social Care and Health. Portfolio Holder, Children and Families. Portfolio Holder, Corporate Services and Public Health	4	4	16	No change 






Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now)			Commentary
					Likelihood L	Impact I	Total Score L x I	
	people live well and for longer and local communities being strong and supportive.	remains at 16 because there has not yet been a reduction in the anticipated deficit position.						
CR3 Threat	<p><b>Financial Resilience - lack of certainty about future funding make it difficult to set a robust MTFS</b></p> <p>(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.</p> <p>(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.</p> <p>(Impact) This may result in difficulties in closing and managing the funding</p>	This risk will be further exacerbated if there are cost implications based on the realisation of CR1 (Increased Demand for People Services) and/or CR2 (NHS Funding and Health and Care Partnership Plan).	Executive Director of Corporate Services	Portfolio Holder, Finance, IT and Communications	4	3	12	No change 

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now) Likelihood Impact Total Score L I LxI	Commentary
	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.					
CR4 Threat	<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	This risk could be further impacted by CR7 (EU Exit, Single Market and Local Growth) as this has an impact on local growth or economic wellbeing which undermines assumptions in the local tax bases.	Executive Director of Corporate Services	Portfolio Holder Finance, IT and Communications	4 3 12	No change 

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now) Likelihood Impact Total Score L I Lx I	Commentary
	Outcomes.					
CR5 Threat	<b>Business Continuity</b> 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.	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. September 2019: The net risk rating is 12 high. Whilst the majority of incidents are outside of the Council's control this risk remains unlikely but could have a major impact if it materialised. E.g. flooding The implementation of the Business Continuity Action plan is ongoing.	Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	2 3 6	No change 

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now)			Commentary
					Likelihood	Impact	Total Score	
					L	I	L x I	
CR6 Threat	<b>Capacity and Demand Risk</b>	<p>September 2019: The Council has financial plans in place to manage funding shortfalls which will be reviewed regularly. The Mid Year Review identified a potential overspend of £7.5m in 2019/20, in part related to issues within CR1.</p> <p>The impact of this financial risk is mitigated through regular review and considering year end positions within the parameters of the Reserves Strategy.</p> <p>The overall net risk rating is 12, High.</p>	Executive Director of Corporate Service	Portfolio Holder, Public Health and Corporate	3	4	12	No change 
CR7 Threat	<b>EU Exit, Single Market and Local Growth</b> Failure to be adequately prepared for the Exit from the EU	The UK Government have confirmed that negotiations on the UK's exit from the EU will commence by the end of March 2017. As of January 2017 it is	Executive Director of Place	Portfolio Holder, Environment and Regeneration	2	3	6	No change 

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now) Likelihood Impact Total Score L I LxI	Commentary
	particularly in relation to the potential impacts on Consumer Protection, Food Safety, Waste Operations Highways, Traffic Management and the business community.	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. Sept 19 :The group is meeting weekly but the deadline has now been moved to between Oct and Jan 20.				
CR8 Threat	<b>Decision Making</b>	Sound governance processes including oversight by officers and members will mitigate the risk. The historical issues are still being addressed which would indicate that this remains high risk - 12	Executive Director of Corporate Services	Portfolio Holder, Public Health and Corporate	4 3 12	No change 

Risk Ref	Risk Description	Risk Comments	Agreed Risk Owner	Cabinet Member Strategic Lead*	Net Score (as it is now)			Commentary
					Likelihood L	Impact I	Total Score Lx I	
CR9 Threat	<b>Capital Projects</b> 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		Executive Director of Place	Portfolio Holder, Finance IT and Communications	2	4	8	No change 
CR10 Opp	<b>Infrastructure Investment</b> 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	2	4	8	No change 

## Appendix 2 Scoring Matrix

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.