

Audit and Governance Committee

Date of Meeting: 24 September 2020

Report Title: Annual Risk Management Report 2019/2020

Senior Officer: Jane Burns, Executive Director of Corporate 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 2019/20.
- 1.2. It also includes an update on the Council's Strategic Risk Register (Appendix A). A summary is included in the report to reflect recent, fast changing Covid arrangements.

2. Recommendations

- 2.1. That the Annual Risk Management Report is considered and received.

3. Reasons for Recommendations

- 3.1. The Council's risk management framework is designed 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.
- 3.2. 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, the effectiveness of its operations, and reliable financial reporting.
- 3.3. The Audit and Governance Committee has responsibility for monitoring the effective development and operation of risk management in the Council.

Demonstrating effective systems for managing risk is an important source of assurance for the Annual Governance Statement.

4. Other Options Considered

4.1. Not Applicable

5. Background

5.1. The Council's Risk Management Framework is underpinned by three key objectives set out below;

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

Risk Management Framework – review and update

5.2. A review of the Council's Corporate Risk Management¹ arrangements was undertaken by Internal Audit during 2018/19. The purpose of the review was to assess the effectiveness of the Council's Risk Management Framework. Following this, the recommendations were implemented during 2019/20.

5.3. Operational risk management arrangements and business planning were also reviewed. An important part of this process was to assist the Heads of Service and senior managers to complete full risk registers for their service during 2019/20. This has led to an improvement in the quality of the risk registers for the Council. Heads of Service and senior managers have taken more ownership of risk within their operational area which in turn will improve service delivery and reduce risk exposure.

5.4. The Risk Management Framework development encompassed reviewing the Council's Risk Appetite, exposure and Risk Maturity. The Risk Management Framework will enable the Council to have a consistent and

¹ To avoid confusion with the Council's Corporate Directorate, the organisational level Risk Register is now referred to as the Strategic Risk Register, and references have been updated to "SR".

clear way to improve all elements to ensure that its Risk Maturity improves.

- 5.5. The Risk Management Framework was endorsed by Audit and Governance at the 12th March 2020 meeting and has since been approved by Cabinet on 9th June 2020. The Framework has been published on the CEntranet together with key supporting documents. Risk Management Guidelines are being finalised, and these will then be communicated to staff, and supported with training.
- 5.6. The provision of the Risk Management Framework provides a structure to contain the risk policy statement, risk policy, strategy, appetite and maturity which were all previously separate documents which had different review dates and content.

Risk management framework in operation

- 5.7. During the year operational risks have been managed and monitored via risk registers within Service, Department and Directorate Plans. 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.

During quarters three and four of 2019/20, the Corporate Leadership Team reviewed and refreshed the strategic risk register. This is a critical element of recognising and leading the collective responsibility for risk. By regularly reviewing the strategic risk register, CLT ensure that risks are being escalated or removed from the strategic risk register as needed, that they have been assessed consistently across the Council, and monitor the implementation of actions to treat the risk to acceptable levels.

- 5.8. Risk registers at the operational levels have been reviewed as part of the 2020/21 business planning process. The risks identified here provide a golden thread up to strategic risks that will strengthen risk management in the authority. Risk registers have been developed where previously risks have been recorded in summary format, adding more rigour to the monitoring of risks
- 5.9. The risk maturity level is currently level 3, “risk defined” and the Council wishes to be at level 4 “risk managed”. In order to achieve this, the Council will need to invest in a risk management system to provide the strategic view of risks across the Council and to develop thematic risks. This was

due to be completed in quarter two but supporting the COVID response has been prioritised; the procurement will be progressed in quarter 3.

Strategic Risk Register 2019/20

5.10. The following risks have been added to and removed from the key corporate risk registers during the year. These have been reported to the Audit and Governance Committee in risk management update reports.

5.11. The inclusion of a risk of a pandemic virus was added in quarter three of 2019/20 as COVID -19 was emerging as global risk which was likely to affect the UK during quarter four.

Risk Ref	Title	Comments
SR11 Threat	Pandemic Virus	Risk added in quarter three as COVID-19 was emerging as a risk for the UK.

5.12. Local changes in NHS arrangements was transferred to People's Directorate risk register to be managed.

Risk Ref	Title	Comments
SR11 Threat	Local changes in NHS arrangements	Risk being managed at a Directorate level.

Summary of changes to scores

5.13. The tables below highlight key changes to Strategic Risks and scores from the position reported in the 2018/19 annual report, to the current position.

5.14. Increased risk scores have been incurred due to the impact of COVID - 19 on the Council and its services. The COVID - 19 Cabinet report dated 8th September 2020 identified the significant additional financial pressure on the council to deliver its services and response to the pandemic.

Risk Ref	Title	Score July 2019 annual report	Current score
SR1	Increased Demand for People Services	12	16
SR3	Financial Resilience - lack of certainty about future funding make it difficult to set a robust MTFS	12	16
SR5	Business Continuity	6	12
SR9	Capital Projects	8	12
SR11	Pandemic virus (<i>new item in 2019/20</i>)	n/a	16

5.15. The score for SR8 (Decision Making) has reduced as clarity around the form of the governance arrangements to be adopted has developed, and through the process being followed to establish implementation of the new committee system. Updates continue to be made to the Constitution Committee.

Risk Ref	Title	Score July 2019 annual report	Current score
SR8	Decision Making	12	8

Covid-19 Risk management response

5.16. A report was received by Cabinet 8th September 2020 regarding Covid – Response and Recovery, which detailed the Council’s management of the pandemic and the increase in financial pressures on the Council and has been produced by a decrease in income and increase in expenditure. A report regarding the Council’s response to COVID was reported to Audit and Governance committee in July 2020. This detailed the organisation’s response to managing the risks and challenges presented by COVID.

5.17. The response to COVID-19 has taken a great deal of resourcing for the Council to support its community during this very testing time, however the Council has responded at pace and with minimal disruption to key service provision to residents, and provided additional key support to vulnerable residents during the lockdown period. The management of risk and monitoring of risk exposure has been key to this.

5.18. An emergency planning incident was invoked and a command structure was established in March 2020. This was to ensure that the Council could respond effectively to the pandemic and to report and working alongside key partners, including central government, the National Health Service, and regional structures of the Local Resilience Forum (LRF) and Strategic Co-Ordinating Group.

- 5.19. Furthermore Bronze and Silver cell command structures (CEmart) were established, and cells developed risk registers, this enabled risk treatment to be developed and systems deployed to ensure governance arrangements were integrated into the command structure.
- 5.20. CEmart is chaired by a member of CLT which ensures that there is a clear line of sight of risks during the pandemic. These risks are then escalated and reported to sub regional, regional and national networks. The development of risk registers has supported the council's response to the pandemic. The development of a suite of risk registers has enabled thematic risks across the bronze cells.
- 5.21. At the end of 2019/20 recovery work was commencing to be in a state of readiness for when services need to return or indeed new service provision due to changes in demand that the pandemic as created. The council has established recovery groups to aid the development of new services and new ways of working and to reinstate services but considering changes in working practices to be COVID-19 ready and safe. The recovery cells have developed risk registers to reflect their areas of operation.
- 5.22. The next section of the report provides an outline of how the key services which assist with managing risks have operated over 19/20.

Business Continuity

- 5.23. The implementation of the business continuity system, Clearview was successfully completed by January 2020. Additional support was provided to assist Heads of Service to enhance their plans following a review of their plans. Throughout the year, the business continuity system was operational, and staff were provided with training on the use of the system. Plans to scenario test the system in conjunction with Emergency Planning colleagues in March 2020 were delayed slightly due to the COVID-19 pandemic but was completed in April 2020.
- 5.24. The scenarios included a cyber-attack, a fire in a public building, a flood in a community and a fire in the community. The results have been used to inform business continuity plans across the council, particularly in response to the pandemic.
- 5.25. The completion of the implementation of the business continuity system, Clearview was timely as the vast majority of plans were in place prior to the pandemic and helped to inform staff.

Insurance

- 5.26. The improvements in risk assessment and awareness, should contribute to, repudiation rates and reduce the volume of successful claims against the

authority thereby improving the Council's financial position. During 2019/20 corporate insurance risks were reviewed with support from the council's insurers.

Health and Safety

5.27. The Council's Staffing Committee received regular updates from the Health and Safety Team regarding accident reporting across the Council and Schools. Training has been organised by the team to deliver across a variety of areas, including Leading and Managing Safely and First Aid. The Health and Safety Team has delivered support to schools, ASDVs and to internal services. This work assists in reducing the council's overall risk exposure and in delivering on the Council's responsibilities for the safety and wellbeing of its workforce.

Internal Audit

5.28. Internal Audit have undertake follow up activity to ensure that their recommendations have been adopted. Internal Audit support risk management as part of their business as usual putting controls in place to ensure that risks are identified and managed effectively.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1 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

6.1.2 There are no direct 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.

6.1.3 A risk around financial resilience is included as a strategic 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. As reported to Cabinet, COVID – 19 has had a significant impact on the Council's financial resilience.

6.1.4 The Council and its public sector partners are confronted with growing demand 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

6.1.5 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

6.1.6 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.

6.1.7 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. Public Health have been a key partner in the Council's response to the COVID-19 pandemic providing co-ordination with health colleagues in the region and nationally. The Council's response to risk and business continuity has been very proactive in managing COVID-19.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change in this report.

6.10.2. Recognition included on the strategic risk register for the threat and opportunity risk around climate change for the Council.

7. Ward Members Affected

7.1.1. All Wards have been affected by the Covid-19 global pandemic and the Council's response to it.

8. Access to Information

8.1.1. Audit and Governance Reports 30th July 2019, 5th December 2019 and 12th March 2020

8.1.2. Risk Management Framework – Cabinet 9th June 2020

9. Contact Information

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

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