

## **Audit and Governance Committee**

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**Date of Meeting:** 11 November 2020

**Report Title:** Quarter Two Review of the Strategic Risk Register 2020/21

**Senior Officer:** Jane Burns, Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. Effective risk management is central to good governance and supports the efficient delivery of the Council's objectives.
- 1.2. The Audit and Governance Committee provides an independent assurance to the Council on the adequacy of the risk management framework. It is responsible for monitoring the effective development and operation of risk management and monitoring progress in addressing risk-related issues reported to the Committee.
- 1.3. The role is defined in the Constitution as: "To monitor the effective development and operation of risk management in the council and to monitor progress in addressing risk related issues reported to the committee"
- 1.4. This report provides the Audit and Governance Committee with outcomes of the review of the Strategic Risk Register at the end of Quarter Two (30 September 2020), as shown in Appendix A.
- 1.5. The Committee will be aware that the council's risk environment is dynamic with fast changing circumstances particularly related to the Covid-19 pandemic and interdependencies with other strategic risks which form a greater collective risk exposure for the authority. For that reason, this report covers both the position at the end of September and a summary of the operational response to COVID and associated winter risks.

## 2. Recommendation

2.1 The Quarter Two Review of the Strategic Risk Register 2020/21 be noted.

## 3. Reasons for the Recommendation

- 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 provides an independent assurance to the Council of the adequacy of the risk management framework.

## 4. Background

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

<b>Key Risk Objectives</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

## 5. Risk Management Activity – Strategic Risk Register

- 5.1. The strategic risk register forms part of the Council's overall governance arrangements and helps demonstrate that the organisation is aware of and managing the risks and opportunities it faces in striving to achieve its strategic objectives.
- 5.2. The Strategic Risk Register has been comprehensively revisited during Quarter 2 and currently identifies 16 Strategic Risks.

5.3. It should be noted that there are 5 new emerging risks reported. These have been identified by the Council’s Corporate Leadership Team and recently reviewed by them.

5.4. The tables below inform Members of the highest rated strategic risks on the strategic register, those on the “watch list”, and any significant changes to the score since the last quarterly review. Attached is Appendix B, a visual representation of the risks as a “heat map”.

Highest Rated Strategic Risks				
Ref	Type	Short Risk Title	Net Rating	Direction
01	T	Demand for People services	16 High	↔
02	T	NHS funding	16 High	↔
03	T	Financial Resilience	16 High	↔
11	T	Pandemic	16 High	↔
12	T	Failure and Fragility in Social Care Markets	16 High	NEW
04	T	Cyber Security	12 High	↔
05	T	Business Continuity	12 High	↔
06	T	Capacity and Demand	12 High	↔
09	T	Capital Projects	12 High	↔
16	T	Economic Risk	16 High	NEW
07	T	EU Transition	16 High	↑

*T = Threat, O = Opportunity*

5.5.

Risk Watch List (Medium rated)				
Ref	Type	Short Risk Title	Net Rating	Direction
08	T	Decision Making	6 Medium	↔
13	T	Reputation	9 Medium	NEW
14	T	Climate Change	9 Medium	NEW
10	O	Infrastructure Investment	8 Medium	↔
15	T	Business Rates	6 Medium	NEW

*T = Threat, O = Opportunity*

5.6. Risks that have reduced between Q1 and Q2

New risks added during Q1 and Q2			
Ref	Type	Risk Title / description	Net Rating
SR12	T	<b><u>Fragility and failure in the social care market</u></b> Risk that increased pressure within the social care market, rising costs, increasing complex needs and funding pressures, which have been exacerbated by Covid 19	16 High

New risks added during Q1 and Q2			
		increases the likelihood of multiple provider failure and market collapse.	
SR13	T	<p><b><u>Reputation</u></b> Risk that consideration is not given, and management action is not taken, to effectively manage the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to meet the corporate priorities.</p>	9 Medium
SR14	T	<p><b><u>Climate Change</u></b> Risk that the Council has an increased cost due to implementation of the Environment strategy balanced against and the impacts of the climate emergency e.g. increased frequency and severity of adverse weather events.</p>	9 Medium
SR15	T	<p><b><u>Business rates</u></b> Risk that the current system of business rates does not allow the Council to benefit proportionally from the level of rates collected. This could have effect on the MTFS if BR are changed.</p>	6 Medium
SR16	T	<p><b><u>Economic Risk</u></b> The risk that the combined external national economic impact of EU Transition and COVID-19 will have a severe detrimental impact on the Cheshire East economy balanced against the opportunities that exist for growth in some sectors and businesses in the local economy</p>	16 High

### **Risk management operational response to COVID and associated winter risks**

- 5.7. The impact of Covid19 remains at an unprecedented level, with interdependancies existing with all of the high level risks. The response to COVID-19 is being managed through CEMART, the Council’s Emergency Management and Reponse Team. A detailed report elsewhere on the agenda sets out more detail about the Council’s response and recovery arrangements. Risks are identified and reviewed on a very regular basis.
- 5.8. Risk Management colleagues have provided assistance to CEMART, however it remains the responsibility of individual lead officers to update

their individual risk registers. Support has also been provided to services across the authority in risk management.

- 5.9. The council has invested in developing plans to address the strategic risks during the next six months to cover the winter period. The impact of COVID 19 and restrictions imposed requires additional support for a number of sectors.
- 5.10. Town centres and hospitality sectors have received support for reopening of services, town centres and high streets to promote social distancing in premises and in the high street with a mixture of signage, barriers and advice provided regarding transport. Regulatory services are engaging with businesses. Communications to support this activity is being reinforced.
- 5.11. The local authorities in Cheshire and Warrington are taking a consistent approach to events such as bonfire night, winter festivals and remembrance services.
- 5.12. Front line services reopened during the summer including libraries, leisure centres, parks and open spaces. However, this is kept under review as national guidance is updated regarding these services. Appropriate restrictions remain in place in relation to social distancing and buildings are operating in compliance with Covid-19 secure notices.
- 5.13. As demonstrated in March these facilities were able to be closed very quickly if that were deemed to be appropriate and arrangements would be co-ordinated to ensure a consistent approach is adopted across Cheshire and Warrington when required.
- 5.14. Cheshire East has plans in place to increase levels of housing support in relation to homelessness and domestic abuse and had successfully put arrangements in place to provide temporary accommodation for rough sleepers and homeless people. Very few families are currently in B&B and in addition there are very few individuals that are sleeping rough.
- 5.15. Multi-agency working to promote both crime reduction and COVID related messaging and enforcement is taking place. Contextual Safeguarding Teams are overseeing child protection activity and processes, locally and sub regionally. Adult safeguarding Boards are overseeing adult safeguarding activity.
- 5.16. In winter we may be faced with the challenges of co-circulation of COVID-19 and influenza (flu), impacting upon residents, their families, businesses, the NHS, emergency services and the wider health and social care sector.

- 5.17. System integrated Winter Plans have been co-produced with partners.
- 5.18. NHS England and Ireland Phase 3 Recovery Plans are in place with increased community bed capacity. Additional community bed capacity will ensure hospital flow maintaining occupancy rates.
- 5.19. Care homes have been supported to ensure homes are COVID-19 resilient, flu planning in place and business continuity plans in place. They are working closely with Infection control teams.
- 5.20. Winter/phase 3 plans have incorporated the learning of COVID-19 supporting vulnerable groups, enhancing virtual consultation as appropriate. Risk reduction is managed through proactive planning. Winter plans have incorporated key actions from the NW framework to reduce inequalities. This includes: enhanced community support through integrated assessments and care planning; maintaining and enhancing current schemes that are supporting hospital and community flow; increased community general nursing assistants and therapies to support more people to remain at home with support; additional rapid care to support Same Day Emergency Care and discharges and enhanced streaming to reduce crowding in Emergency Departments; and additional social work assessments, brokerage support over 7 days and 7 day assessment as well as increased respite. Primary Care Hot Hubs are being developed in community Primary Care Out of Hours and Emergency Department and increased virtual consultations. Risk stratification is in place to support vulnerable groups and ensure Flu vaccinations are provided. This data will also inform patients that are at risk and enable pro-active approaches to care.
- 5.21. Flu implementation plans in place with system-wide implementation group/s in place to have oversight.
- 5.22. The Council has tested its flood response plans to ensure they can operate under Covid restrictions. This has included having a store of PPE for staff that would be responding, having appropriate rest centres in place that enable social distancing and mutual aid arrangements being tested so that each Local Authority can support in the event of major flooding.
- 5.23. The assumptions in relation to EU transition were tested in 2019 and are now being reviewed ahead of the planned transition at the end of December 2020.
- 5.24. The potential impact on highway network had been assessed as being manageable at that and this is still considered to be the case.

- 5.25. The impact on the Business Community particularly those that export and import multi-national organisations is being reassessed to enable future contingency plans to be developed. However, ongoing support and guidance to businesses continues to be provided through the Council's Economic Development services and through the Local Enterprise Partnership through the Growth Hub.
- 5.26. A further action that is being taken is rehearsing the support that would be provided if one of the Borough's major employers closes or announces significant reductions in its workforce.
- 5.27. Furthermore, plans are in place to continue to support international businesses with their investment decisions.
- 5.28. In addition, the EU transition has identified additional pressure on regulatory services e.g. additional products require testing and legislation not being transferred into UK legislation and similarly the potential impact of this is being actively reviewed.
- 5.29. Therefore, the Council and its partners have undertaken risk assessment review of the key strategic risks associated with Covid, Winter Pressures and EU transition to develop a co-ordinated package to be in the most prepared position for the winter period.

## 6 Risk management progress against policy / strategy objectives

	Strategy Priority	Progress Update
1	The detailed methodology for risk management including risk identification, evaluation, treatment and monitoring including a more refined, granular scoring matrix which is used as best practice by other local authorities and recommended by the public sector risk management association ALARM.	The guidelines have been completed, they are currently being reviewed and will be published during Q3, with training being considered to align with the publication.
2	Introduction of risk management software which will enable the review of risks in different cross sections such as thematic, risk types, hierarchy of risks. It will enable better monitoring of risk and risk profiling. This will greatly improve risk management across the Council.	This activity has been put on hold awaiting the implementation of the audit module of Galileo which should be completed in quarter three.
3	Move to a "5 x 5" risk scoring matrix which	This will be completed

	Strategy Priority	Progress Update
	will provide greater granularity which will aid the management of risk and improve our risk maturity.	when the new software is introduced.
4	To critically examine and challenge commissioning plans so that risk is being considered appropriately at the business planning stage to ensure risk activity is focused on the delivery of the key organisational objectives	On hold due to Covid / resource constraints.
5	To review the strategic risks facing the Council, examining, challenging and supporting the risk assessment process to ensure consistency and gain assurance that strategic risks are being actively managed and monitored; including comprehensively revisiting and updating the Strategic Risk Register.	Strategic risks have been reviewed by CLT and have been updated.
6	Work with finance colleagues to develop the recognition of “total” risk exposure to the Council and quantify our likely risk exposure should several strategic risks occur at any one time.	This will be scheduled to be completed during Q4 of 2020/21.

## 7 Implications of the Recommendations

### 7.1 Legal Implications

7.1.1 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 Plan 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.

### 7.2 Finance Implications

7.2.1 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.

7.2.2 Many of the Strategic Risks have significant financial consequences, not least COVID-19. This is covered by detailed updates.

7.2.3 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.

7.2.4 The financial cycle, of planning, monitoring and reporting, provides officers and members with regular updates on the financial implications of emerging risks and the proposed mitigation.

7.2.5 The cumulative risks of COVID 19, EU Exit transition, economic downturn, staff resilience and winter pressures are increasing the council's risk exposure and are inextricably linked.

### **7.3. Policy Implications**

7.3.1 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.

### **7.4. Equality Implications**

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

### **7.5. Human Resources Implications**

7.5.1 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.
- The capacity and resource implications of responding to COVID-19.

## **7.6. Risk Management Implications**

7.6.1 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.

## **7.8. Rural Communities Implications**

7.8.1 There are no direct implications for rural communities.

## **7.9. Implications for Children & Young People/Cared for Children**

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

## **7.10. Public Health Implications**

7.10.1 Public Health having been a key partner in the Council's response to the COVID-19 pandemic which has great implications. The Council's response to risk and business continuity has been very proactive in managing COVID-19.

## **7.11. Climate Change Implications**

7.11.1 Climate change has both threats and opportunities to the Council's management of risk. Changes in weather patterns and extreme weather conditions have seen an increase that impacts on the council, as it needs to ensure public safety. Extreme weather conditions such as flooding increases damage to infrastructure and increases operational costs to respond to the emergency; it can damage trees which the Council has a responsibility to maintain and survey and can impact on insurance costs. Climate change is also an opportunity for the Council for it to identify ways in which it can reduce its carbon footprint and may attract additional funding to make carbon savings. In the last year the Council has commissioned a project to examine how it can support residents and businesses alike to improve their energy efficiency and reduce their carbon footprint.

## **8. Ward Members Affected**

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

## **9. Access to Information**

9.1 Strategic Risk Register (Appendix A) and Strategic Risk Heat Map. (Appendix B)

## **10. Contact Information**

Any questions relating to this report should be directed to the following officers:

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