

Audit and Governance Committee

Date of Meeting: 11th March 2021

Report Title: Strategic Risk Register – Q3 Update

Senior Officer: Jane Burns, Executive Director of Corporate Services

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. This report provides the Audit and Governance Committee with outcomes of the review of the Strategic Risk Register at the end of Quarter Three (31st December 2020), as shown in Appendix A.
- 1.4. 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 December 2020.

2. Recommendation

- 2.1 The Quarter Three 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;

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

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 reviewed during Quarter 3 and currently identifies 16 Strategic Risks. There have been no new risks added this quarter, or any risks removed.
- 5.3. It should be noted that there are two changes to net risk scores. The decision-making risk has increased due to the forthcoming move to a committee system. This is because of the proximity to the implementation date and the fundamental changes to how decisions are made which involve changes to the Constitution of the Council against a backdrop of concurrent strategic risks of COVID-19 response and winter pressures. The EU Exit risk score has reduced due to the transition period completing on

31st December 2020 and materialised impacts on Cheshire East haven't been significant at the end of Quarter Three.

- 5.4. The tables below inform Members of the highest rated strategic risks on the Strategic Risk 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
SR01	T	Demand for People services	16 High	↔
SR02	T	NHS funding	16 High	↔
SR03	T	Financial Resilience	16 High	↔
SR11	T	Pandemic Virus	16 High	↔
SR12	T	Failure and Fragility in Social Care Markets	16 High	↔
SR16	T	Economic Risk	16 High	↔
SR04	T	Cyber Security	12 High	↔
SR05	T	Business Continuity	12 High	↔
SR06	T	Capacity and Demand	12 High	↔
SR09	T	Capital Projects	12 High	↔

T = Threat, O = Opportunity

Risk Watch List (Medium rated)				
Ref	Type	Short Risk Title	Net Rating	Direction
SR08	T	Decision Making	9 Medium	↑
SR13	T	Reputation	9 Medium	↔
SR14	T	Climate Change	9 Medium	↔
SR10	O	Infrastructure Investment	8 Medium	↔
SR07	T	EU Exit	6 Medium	↓
SR15	T	Business Rates	6 Medium	↔

T = Threat, O = Opportunity

Increasing Risks			
Ref	Type	Short Risk Title	Net Rating
SR08	T	Decision Making 19 November 2020 Council resolved to change the style of governance to a committee system. The transition from one governance system to another requires fundamental changes to the decision-making process supported by the Constitution and further approvals by full	9 Medium (Increased from 6)

Increasing Risks			
		<p>Council. Managed through the Constitutional Project team.</p> <p>Consequential and routine amendments and updates were made to the Constitution in November 2020. Updates due in May 2021 and Nov 2021 to ensure the newly adopted arrangements remain fit for purpose.</p> <p>The increase in the net risk score is because of the proximity to the implementation date and the fundamental changes to how decisions are made which involve changes to the Constitution of the Council against a backdrop of concurrent strategic risks of COVID-19 response and winter pressures.</p>	
<i>T = Threat, O = Opportunity</i>			

Decreasing Risks			
Ref	Type	Risk Title / description	Net Rating
CR07	T	<p>EU Exit EU transition was completed on 31 December 2020</p> <p>Partners and the Council have put appropriate transition arrangements in place in relation to impact on the economy, procurement, impact on key services, impact on regulation, impact on the transport networks, supply of essential materials, employment and data management</p> <p>Impacts continue to be monitored but the actual impacts reported to date are low.</p>	<p>6 Medium (Decreased from 8)</p>
<i>T = Threat, O = Opportunity</i>			

Risk management operational response to COVID and associated winter risks

- 5.5. The unprecedented nature of the COVID-19 pandemic continues to impact on the Council and the Borough. From a risk management perspective, there are interdependencies with all of the high level risks. This dynamic risk environment is being managed through regular dialogue to identify, manage and review those risks. The response to COVID-19 continues to be managed through CEMART, the Council's Emergency Management and Reponse Team.
- 5.6. As reported to Committee in November 2020, the Council invested in developing and delivering plans to address concurrent strategic risks during the winter period. Adverse weather plans have been particularly tested and coped well.
- 5.7. Risk Management colleagues continue to provide 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. Risk registers for each of the bronze cells for COVID 19 response and recovery have been reviewed and updated to reflect activity during Quarter Three. They are dynamic documents which have been adjusted since 31 December 2020, particularly in respect of the impact of the changing restrictions and the third national lockdown from 4 January 2021.
- 5.8. Cabinet has continued to receive updates on the Council's response and recovery to COVID-19. These have also been included on the agenda for Audit and Governance Committee, and set out more detail about the response and recovery arrangements which are helpful background for Members consideration of risk.

Business Continuity

- 5.9. During Quarter Three, Emergency Planning led testing of the Council's flood response plans to ensure they could be operated 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. Flood risk is considered high and has been prevalent over the last three years impacting on highways and homes. Some local flooding was experienced, including Storm Christophe.

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. A weekly review of EU exit risks has taken place during Quarter Three and continues to be reviewed.

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 Q4, 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 four.
3	Move to a "5 x 5" risk scoring matrix which will provide greater granularity which will aid the management of risk and improve our risk maturity.	This will be completed 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	Currently under review.
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.

	Strategy Priority	Progress Update
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 and interdependent 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. 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

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