

## **Audit and Governance Committee**

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<b>Date of Meeting:</b>	30 <sup>th</sup> July 2021
<b>Report Title:</b>	Risk Management Annual Report 2020/21
<b>Report of:</b>	Jane Burns, Executive Director of Corporate Services
<b>Ward(s) Affected:</b>	All

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### **1. Executive Summary**

- 1.1. This report provides the committee with an overview on the effectiveness of the Council's risk management arrangements during 2020/2021.
- 1.2. This report also provides the committee with the outcomes of the review of the Strategic Risk Register at the end of Quarter Four for 2020/21 (31<sup>st</sup> March 2021), as shown in Appendix A, and pictorially as a heat map in Appendix B. Variance in the scoring of strategic risks across the year is also show in Appendix C.
- 1.3. Effective risk management is central to good governance and supports the efficient delivery of the Council's objectives.

### **2. Recommendations**

- 2.1. That the Annual Risk Management Report 2020/21 is considered and received.

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

- 3.1. 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.
- 3.2. The Audit and Governance Committee have responsibility for monitoring the effective development and operation of risk management across the Council.

### **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:

<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

- 5.2. 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 Corporate Plan objectives.

### **Risk Management Activity – Strategic Risk Register Quarter 4 2020/21**

- 5.3. The Strategic Risk Register has been reviewed during Quarter 4 by the Corporate Leadership Team and currently identifies 15 Strategic Risks. There have been no new risks added this quarter, and one risk removed this quarter relating to the EU exit and transition (SR7), which will be managed at a directorate level. The scoring of this risk has reduced due to the impact on Cheshire East and the likelihood of the risk occurring has decreased significantly enabling it to be managed by Place Directorate.
- 5.4. There is only one change to net risk scores. The Economic Risk (SR16) has decreased, from high to medium. This is due to the realised effects from the pandemic and EU Exit being less than anticipated. Early indications show that consumer confidence is increasing, particularly in the opening of the hospitality and leisure sectors, and businesses have factored in the results of the EU transition, however, the ongoing impact of both the EU Exit and pandemic will be monitored closely and reviewed as necessary.
- 5.5. CLT is 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. Risk management of COVID-19 will continue and will be monitored and supported by senior management across Cheshire East in conjunction with other strategic risks.
- 5.6. The tables below inform the committee 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. This is the position at the close of 2020/21:

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	↔
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	↔
<b>T = Threat, O = Opportunity</b>				

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	↔
SR15	T	Business Rates	6 Medium	↔
SR16	T	Economic Risk	9 Medium	↓

Decreasing Risks during Quarter 4. As at the end of 20/21			
Ref	Type	Risk Title / description	Net Rating
CR16	T	<p><b>Economic Risk</b> Business intelligence suggests that most companies that rely on EU markets for exports and/ or imports have now factored in the impact of EU transition and are using new operating models to secure their financial position as a going concern.</p> <p>The firms directly impacted by COVID and subsequent lockdowns are starting to reopen in line with the Government's roadmap out of the current lockdown. Initial reports suggest there is consumer confidence to participate in hospitality and leisure and retail activity and the high street is feeling the benefit of this pent up demand.</p> <p>Considering these two factors the risk of rapid increase in business failure and therefore a further reduction in the</p>	<p><b>9 Medium</b> (Decreased from 16)</p>

Decreasing Risks during Quarter 4. As at the end of 20/21			
		council's income from business rates is likely to be less than originally modelled.	
		Certain sectors have been given business rate holidays which will impact on the Council's finances and have been modelled.	

### **Key changes in the Strategic Risk Register 2020/21**

- 5.7. Looking across the year 2020/21, (See Appendix C) 5 strategic risk scores have increased;
- SR03 Financial resilience
  - SR05 Business Continuity
  - SR06 Capacity and Demand
  - SR08 Decision making
  - SR09 Capital Projects
- 5.8. Increases in the scoring of these risks are not unexpected against the backdrop of the pandemic and the interdependencies between these risks. The introduction of the Committee system has also elevated the risk around decision making.
- 5.9. Appendix C demonstrates that Strategic Risks take some time to respond to risk treatments and by their very nature are complex. Many of the risk scores have remained static throughout the year despite intervention.
- 5.10. 5 new risks have been introduced during the course of the year, as part of the regular review process by CLT.

Risks Introduced during 2020/2021				
Ref	Type	Short Risk Title	Net Rating	Direction
SR12	T	Failure and Fragility in Social Care Markets	16 High	↔
SR13	T	Reputation	9 Medium	↔
SR14	T	Climate Change	9 Medium	↔
SR15	T	Business Rates	6 Medium	↔
SR16	T	Economic Risk	9 Medium	↓

- 5.11. These are risks which are being recognised by local authorities, regionally and nationally, and their inclusion during 2020/21 is consistent with recognising significant threats to the achievement of our Corporate Plan objectives.

- 5.12. Due to the changes in the EU exit / transition having already occurred, the EU risk has been transferred to the Place Directorate risk register to manage. The risk will be kept under review by the Executive Director of Place should any of the risk factors increase.

Risks removed during the year		
Ref	Type	Short Risk Title
SR07	T	EU Exit

**Risk Management activity – Operational Risks**

- 5.13. In a “normal” year, we would expect to see operational risk registers completed across directorate, department and service levels. This arrangement allows any risks that may affect the achievement of the corporate plan to be highlighted for discussion around escalation for inclusion on the Strategic Risk Register.
- 5.14. In 2020/21, as part of the pandemic response, the focus has been on identifying and managing COVID-related risks. Risk Management colleagues continue to provide assistance to CEMART, however it remains the responsibility of individual lead officers to update their individual risk registers.
- 5.15. For the new financial year 2021/22 and as we return to business as usual, it is timely to ensure that a renewed focus is placed on operational risk management, ensuring consistency in the completion and monitoring of the risk registers at the directorate, departmental and service levels within the organisation, and alignment of these to the Corporate Plan. Support to improve and review risk registers will be provided.
- 5.16. The business planning process affords the opportunity to integrate risk management as part of the development of service planning, recognising the threats to achievement effective service delivery, improvements and projects at an early stage, and ensuring options to manage these are articulated and managed throughout the course of the year. Opportunities can also be recognised as part of this process.
- 5.17. Directorate level risk registers are maintained by each Executive Director, with separate registers maintained for Adults and Children’s services, in line with the restructure proposals.
- 5.18. The Risk and Business Continuity Manager will be focusing on supporting the directorate management teams to ensure that the cascade of risk between their risk registers, their department and service registers and the Strategic Risk Register is working effectively, and that operational and Covid specific risks are recognised throughout. This allows the Risk and Business Continuity Manager to highlight emerging areas of thematic risk which may need to be escalated, and to share risk management approaches across areas.

- 5.19. It is important to ensure that a balance is struck in managing risk so that the approach is not over bureaucratic and process driven but has sufficient rigour, that the Council can demonstrate risks are being managed effectively. These changes will need to be underpinned by new learning and development opportunities and guidance material to support those tasked with identifying and managing risks on behalf of the Council.
- 5.20. Support has also been provided to services across the authority in risk management. Training sessions have been delivered in groups and individually to service managers, business managers and directors. These individual training sessions have focused where there have been staff changes to ensure that new staff members understand the Council's approach to risk management and reporting.
- 5.21. Group sessions have been delivered, most recently in quarter 4 to 30 staff in the Legal service. Training sessions have been offered throughout the year and are available for any directorates to access. In total around sixty employees have received training. Risk register owners have also accessed assistance to develop risk registers and offered critical friend support.
- 5.22. The training is focused on the risk management framework, links to the Corporate Plan and performance and consistent scoring of risk, risk articulation, risk identification and treatment. This enables risks to be managed effectively to ultimately provide assurance to Audit and Governance Committee.

**Risk management progress against policy / strategy objectives**

- 5.23. As part of the Council's Risk Management Framework, a Risk Management Strategy for 2020/22 was adopted in June 2020. An update on these priorities is provided in the table below; however, the experience of the pandemic response and the needs of the organisation after the move to the committee system of decision making have both given significant cause to revisit the continuing value of the priorities, and how they were to be achieved. The strategy will be reviewed formally in the last half of 2021/22 to develop the 2022/24 version.

	<b>Strategy Priority</b>	<b>Progress Update</b>
1.	Develop detailed methodology for risk management including risk identification, evaluation, treatment and monitoring including a more refined, granular scoring matrix. This is used as best practice by other local authorities and recommended by the public sector risk management association ALARM.	The guidelines have been completed; further revisions will be required during to align with the committee system and will continue during 2021/22.

	<b>Strategy Priority</b>	<b>Progress Update</b>
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.	The move to the Committee system provides an opportunity to closer align and co-ordinate risk management information alongside finance and performance reporting. We are working with colleagues across finance, performance management and business intelligence to progress this; new software options will be considered as part of this.
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 undertaken as part of the work described above.
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.	Business Plans were completed by the 30/04/2021 and identify new projects to be commissioned throughout the year. This will aid the delivery of the Medium Term Financial Plan by ensuring finance, risk and performance are sighted on new projects.
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. This process happens on a quarterly basis.  A risk workshop with CLT to identify emerging risks and to horizon scan for potential risks in the future has taken place in quarter one of the 2021/22 and will inform the future scope and content of the Strategic Risk Register; for example, the current SR1, Increased Demand for People Services will be reshaped and separated to focus on the demand for Adults, Health and

	<b>Strategy Priority</b>	<b>Progress Update</b>
		Intergration and Children's Services respectively.
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 completed during 2021/22, again as part of the work described in point 2 and point 5.

## **6. Implications**

### **6.1. Legal**

6.1.1. The Director of Governance and Compliance is sighted on the strategic risks and reports that have been provided to the Audit and Governance Committee throughout 2020/2021. Legal teams have actively engaged in risk management training and considered legal risks.

### **6.2. Finance**

6.2.1. The Director of Finance leads on strategic risks and has provided commentary for strategic risks ensuring linkages to the Medium-Term Financial Strategy. A number of the strategic risks on the register potentially have an impact on the achievement of the Medium-Term Financial Strategy and the Council's Financial Position.

### **6.3. Policy**

6.3.1. Cheshire East Council has adopted the Risk Management Framework approved by Cabinet in June 2020.

### **6.4. Equality**

6.4.1. The Risk Management Framework does not require the completion of an Equality Impact Assessment. The completion of Equality Impact Assessments may be required as part of the risk management and treatment of individual service decisions.

### **6.5. Human Resources**

6.5.1. Staff have been trained in risk management and one to one training for senior managers who have been appointed in the year to support the assessment of risk in decision making and service delivery.

### **6.6. Risk Management**

6.6.1. Cheshire East have been implementing the Risk Management Framework throughout the year, including operational risk management in response to the Covid-19 pandemic. Risk management guidance has been produced to support staff in their decision making.



## 6.7. Rural Communities

6.7.1. Not specifically.

## 6.8. Children and Young People/Cared for Children

6.8.1. Not specifically.

## 6.9. Public Health

6.9.1. Risk management activity has been directed through CEMART and at the forefront of the council's response to the pandemic.

## 6.10. Climate Change

6.10.1. A new strategic risk (SR14) was added to include the impact of climate change to provide a focus for activity for Cheshire East. Operational responses include a focus on reducing carbon footprint, housing and flood risk treatment. An exercise with Emergency Planning tested operational response during 2020 to flooding in a community. This included additional measures to ensure that any incident would be COVID secure and the public would be safeguarded.

<b>Access to Information</b>	
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Appendices:	Strategic Risk Register (Appendix A) Strategic Risk Heat Map (Appendix B) Movement in risks (Appendix C).
Background Papers:	Risk Management Framework