

## **Audit and Governance Committee**

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<b>Date of Meeting:</b>	25 <sup>th</sup> November 2021
<b>Report Title:</b>	Strategic Risk Update – Q1 & Q2 2021/22
<b>Report of:</b>	Jane Burns, Executive Director of Corporate Services
<b>Report Reference No:</b>	AG/5/2021-22
<b>Ward(s) Affected:</b>	All

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### **1. Executive Summary**

- 1.1. Effective risk management is central to good governance and supports the efficient delivery of the Council's objectives. The Audit and Governance Committee provides an independent assurance to the Council on the adequacy of the risk management framework.
- 1.2. This report provides the Audit and Governance Committee with an update on the Strategic Risk Register for the period Q1 to Q2 2021-22, as shown in Appendix A.

### **2. Recommendations**

- 2.1. That the Strategic Risk Update for Quarters 1 and 2 2021/22 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.** During Quarter 1, the Council's Corporate Leadership reviewed the existing Strategic Risk Register and identified a number of areas where risks on the register warranted refocusing and refreshing. These include:
- 5.1.1. Separation of "Increased Demand for People Services" into Adult's and Children's service specific risks; this aligns with the new organisational structure and allows for greater clarity in the articulation of the risk as it presents in each service, and the actions underway and planned for each.
  - 5.1.2. The focus of the "Decision Making Risk" has been reshaped into two separate risks: "Governance and Decision Making" and "Political Uncertainty". This recognises the risks associated with a broader failure of corporate governance within the Council's internal processes separately to the challenges of wider political uncertainty upon the delivery of the Council's Corporate Plan objectives.
  - 5.1.3. The description of the strategic risk on capacity and demand (Organisational Capacity and Demand) within the organisation has been updated to reflect the current challenges, including recognition of local and national factors impacting on demand for services and the Council's capacity for resourcing these. The gross score for this refocused risk has been updated to 16.
  - 5.1.4. "Fragility and Failure in the Social Care Market" is now focused on the specific challenges present in the Adult Social Care Market.
  - 5.1.5. Risks on Financial Resilience and Business Rates have been replaced with "Financial Management and Control", focused on the Council's internal management of its financial position, and "Council Funding" which recognises the challenges of the uncertainties and demands on funding available to the organisation. The previous risk on Business Rates now forms part of this risk, in the context of being one of the main sources of funding and income available to the Council. Challenges to the stability and growth of the Borough's economy are described in the "Economy" risk.
  - 5.1.6. The current risk on Climate Change is currently being reviewed to ensure that it best reflects the risks to achieving the Council's objectives in this area. Further changes will be provided to the Audit and Governance Committee as part of the "deep dive" briefing requested and included in the next update report.
- 5.2.** Table 1 sets out the current strategic risks following the changes proposed by the Corporate Leadership Team, with the net scores for each quarter.
- 5.3.** Appendix A provides further detail on each of the risks, including the current risk description, gross score, risk owner and a commentary for Q2 activity or change if relevant. As the Strategic Risk Register captures those risks which are of such significance as to cause failure of the objectives in the Council's

Corporate Plan if they are realised, the risk ownership of each is allocated to a member of the Corporate Leadership Team

**5.4. Table 1: Strategic Risk Register (summary)**

Ref	Risk	Q1 Net Score	Q2 Net Score
SR 1A	Increased Demand for Adult's Services	16	16
SR 1C	Increased Demand for Children's Services	16	16
SR 2	NHS Funding and Integrated Care System	16	16
SR 3	Financial Management and Control	9	9
SR 4	Information Security and Cyber Threat	12	12
SR 5	Business Continuity	9	9
SR 6	Organisational Capacity and Demand	12	12
SR 7	Council Funding	16	16
SR 8A	Decision Making	9	9
SR 8B	Political Uncertainty	8	8
SR 9	Capital Projects	12	12
SR 10 (O)	Infrastructure Investment	12	12
SR 11	Pandemic Virus	12	12
SR 12	Fragility and failure in the Social Care Market	16	16
SR 13	Reputation	9	9
SR 14	Climate Change	9	9
SR 15	Economy Risk	9	9

**5.5.** There are no changes in the net scores for the strategic risks between Q1 and Q2. The gross (unmanaged) score for Organisational Capacity and Demand increased to 16.

**5.6.** Additional interventions in the management of strategic risks may still result in static risk scores, as shown between Quarter 1 and Quarter 2 scores. By their complex nature, strategic risks will take time to respond to risk treatments and may require continual risk management activity to maintain the net score. The time it can take to mitigate a strategic risk to an acceptable level of net risk is likely to be considerable, particularly where the potential to manage the risk sits further outside the control of the Council.

**5.7.** Increases in inflationary pressures due to construction material costs and supply chain issues are noted in the commentary for capital projects, infrastructure investment and the economy. The impact these have upon individual projects will be managed through existing management and

governance mechanisms and reported to the relevant service committees through performance and finance updates.

## **Winter planning**

- 5.8.** Winter pressures can exacerbate demand on Council services, and present further challenges to the risks already identified on the strategic risk register. Reports on the preparations and plans of the Council to manage and respond to these pressures in the area of Adults and Health have been provided to the Health and Wellbeing Board (7<sup>th</sup> September 2021) and more recently to the Adults and Health Committee (17<sup>th</sup> November 2021).
- 5.9.** Given the emerging social care market pressures, preparations were also made during Quarter 2 for a scenario testing exercise to be held, by the Adult Social Care teams with Cheshire East and Cheshire West and Chester Councils, to identify further contingency arrangements in the event of a major social care provider failure.
- 5.10.** This exercise was co-ordinated and undertaken in October by the shared Emergency Planning (Joint Cheshire Emergency Planning Team) and was supported with attendees from a range of partner agencies including the NHS and CCG to identify options for mutual aid, further understanding of implications of decisions on other agencies, and additional areas of development. A number of actions have been identified following the exercise, including establishing a joint working group which will oversee and co-ordinate a range of immediate-, medium- and long-term actions to focus on a whole system approach and solutions for domiciliary care and hospital discharge.

## **6. Implications**

### **6.1. Legal**

- 6.1.1.** There are no direct legal implications arising from the recommendations of this report. 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**

- 6.2.1.** There is no direct impact upon the MTFS from the recommendations of this update report. 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.

### **6.3. Policy**

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

- 6.4.1. There are no direct implications arising from the recommendations of this update report.

### **6.5. Human Resources**

- 6.5.1. There are no direct implications arising from the recommendations of this update report.

### **6.6. Risk Management**

- 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 by continually reviewing the risk profile, identifying where strategic risks are emerging and assuring the Committee on how these are being managed.

### **6.7. Rural Communities**

- 6.7.1. There are no direct implications arising from the recommendations of this update report.

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

- 6.8.1. There are no direct implications arising from the recommendations of this update report.

### **6.9. Public Health**

- 6.9.1. There are no direct implications arising from the recommendations of this update report. Public Health plays a key role in the management of the ongoing impact of Covid-19 and the pandemic virus risk included in the strategic risk register.

### **6.10. Climate Change**

- 6.10.1. There are no direct implications arising from the recommendations of this update report. Risks to the Council's achievement of its climate change-based objectives are recognised in the strategic risk register.

<b>Access to Information</b>	
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Contact Officer:	Josie Griffiths Head of Audit and Risk Management Email: <a href="mailto:Josie.Griffiths@cheshireeast.gov.uk">Josie.Griffiths@cheshireeast.gov.uk</a>
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Appendices:	Strategic Risk Register (Appendix A)
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Background Papers:	Risk Management Framework
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