

## **Audit and Governance Committee**

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<b>Date of Meeting:</b>	10 March 2022
<b>Report Title:</b>	Strategic Risk Management Update – Q3 2021/22
<b>Report of:</b>	Jane Burns, Executive Director Corporate Services
<b>Report Reference No:</b>	To be provided by Democratic Services
<b>Ward(s) Affected:</b>	All

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### **1. Purpose of Report**

- 1.1. Effective risk management is central to good governance and supports the efficient delivery of the Council's corporate plan objectives. The Audit and Governance Committee provides an independent assurance to the Council on the adequacy of the risk management framework.

### **2. Executive Summary**

- 2.1. This report provides the Audit and Governance Committee with an update on the Strategic Risk Register for the period Quarter 3 2021-22, as shown in detail in Appendix A and Appendix B.

### **3. Recommendations**

- 3.1. That the Strategic Risk Update for Quarter 3 2021/22 is considered and received.

### **4. Reasons for Recommendations**

- 4.1. 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.

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

## 5. Other Options Considered

5.1. No alternative options considered; this is an update report to support the Committee in meeting its responsibilities under its Terms of Reference.

## 6. Background

6.1. The last update to Committee set out refreshed and refocused strategic risks. Risk owners and managers have reviewed these strategic risks again during quarter 3. Table 1 sets out the summary register with the net scores for the previous quarters along with Q3.

Ref	Risk	Q1 Net Score	Q2 Net Score	Q3 Net Score	Direction of Travel
SR 1A	Increased Demand for Adult's Services	16	16	16	↔
SR 1C	Increased Demand for Children's Services	16	16	12	↓
SR 2	NHS Funding and Integrated Care System	16	16	16	↔
SR 3	Financial Management and Control	9	9	9	↔
SR 4	Information Security and Cyber Threat	12	12	12	↔
SR 5	Business Continuity	9	9	9	↔
SR 6	Organisational Capacity and Demand	12	12	12	↔
SR 7	Council Funding	16	16	12	↓
SR 8A	Governance and Decision Making	9	9	9	↔
SR 8B	Political Uncertainty	8	8	8	↔
SR 9	Capital Projects	12	12	6	↓
SR 10 (O)	Infrastructure Investment	12	12	12	↔
SR 11	Pandemic Virus	12	12	12	↔
SR 12	Fragility and failure in the Social Care Market	16	16	16	↔
SR 13	Reputation	9	9	9	↔
SR 14	Climate Change (Carbon Neutral 2025)	9	9	6*	↓
SR 15	Economy Risk	9	9	9	↔

\*revised risk description from Q3.

6.2. Appendix A sets out the Strategic Risk Register in further detail, from the gross/unmanaged score, existing risk mitigation activity and the current net score as at Q3. Previous quarter net scores are also included.

- 6.3.** Appendix B sets out the Strategic Risk Register from the net score to the target score, future planned mitigation activity and a commentary for the Q3 period.
- 6.4.** Four risks on the Strategic Risk Register have decreased during Q3 2021/22. No risks have increased in score.
- 6.5.** Scoring for SR 1C Increased demand in Children's Services, has decreased from a net score of 16 in Q2, to 12 in Q3. Whilst activity in children's services has increased locally as well as nationally, business cases were included as part of the MTFs consultation for Children's Social Care and SEND Services to ensure services can continue to meet increased activity and demand.
- 6.6.** In order to mitigate this risk and prevent children and young people from experiencing greater intervention in their lives, we are continuing to deliver our partnership strategies to ensure that we support families early, providing the right support at the right time, and that we work together with families, so we achieve the best outcomes for children and young people.
- 6.7.** During 2021 new strategies for neglect and SEND were launched. We are also continuing to develop different options within Cheshire East to ensure we have the right homes available for our cared for children and young people, through our Bespoke project and the Mockingbird fostering programme. The second Mockingbird constellation launched in January 2022.
- 6.8.** Scoring for SR 7 Council Funding has reduced from 16 to 12; this recognises the impact of the financial planning arrangements taking effect, including the review of MTFs assumptions reviewed by the Finance Subcommittee, the MTFs being published between the autumn statement and the more detailed local government settlement.
- 6.9.** Whilst the settlement provided clarity for a single year, the risk of reduced levels of local taxes also reduced as collection rates and levels of government funded reductions have stabilised the forecasts. Collection rates should further improve with the implementation of the improved Council Tax support scheme, the emergency assistance scheme consultation and new business grants.
- 6.10.** Scoring for SR 9 Capital Projects has reduced from 12 to 6. This recognises the impact of the various mitigation measures in place, addressing the creation of capital projects and schemes through the Council's capital programme, through to the monitoring and oversight measures used to oversee delivery. Oversight is also provided through regular financial monitoring reported to the Finance Sub-Committee, and the relevant service committees.

**6.11.** SR 14 Climate Change (Carbon Neutral) has been reviewed and reshaped during Q3. The net score of this revised risk, described below, has been set at 6.

**6.12.** This risk is now described as follows

*Failure to achieve Carbon Neutral status for the Council by the 2025 milestone target as a result of ineffective planning and delivery of actions, will result in non-delivery of a key priority in the Council's Corporate Plan. It will also contribute to climate change temperature rise and severe weather events which could have an impact on public health and safety. It could also have financial implications with increased need for adaptation of key infrastructure for severe weather events across the borough.*

**6.13.** The net score recognises a range of mitigating activities, including

- Carbon Neutral programme established with Programme Board reviewing progress and risks monthly
- Member Advisory group overseeing its delivery
- Annual update on progress reported to relevant committee
- Climate change as a key consideration as part of our statutory planning duties as an authority and within the development of local planning policy.
- Planned natural offset set at 10% more than required to reduce risk of non-delivery in any one project area.

**6.14.** The programme management arrangements in place ensure that progress and risks are monitored and reported regularly to the Brighter Future Transformation Board and the Environment and Communities Committee.

**6.15.** The 2022-26 MTFs includes proposals for capital investment in energy efficiency measures in our buildings, for renewable energy through a large-scale solar farm, for electric vehicle charging points for our fleet, the delivery of a heat network at North Cheshire Garden Village, and for carbon storage through tree planting on Council land.

#### Q4 Developments and Horizon Scanning

**6.16.** A number of changes and developments are emerging as we approach the end of the 2021/22 period which it is helpful to make the Committee aware of.

**6.17.** Governance arrangements for the Integrated Care System (ICS) continue to progress at pace, with implementation on the ICS now beginning in July 2022. The current description of the risks around ICS are included within SR 2 (NHS Funding and Integrated Care System); this will be reshaped in detail during Q4, and future risk description, score and supporting measures reported back to the Committee.

**6.18.** SR 4 (Information Security and Cyber Threat) describes the challenges and threats to the Council's Information Security arrangements. Local Authorities, like many other sectors are increasingly reliant on the

availability of various software systems to deliver services to residents, and the enabling support services.

- 6.19.** Protecting the availability and security of these systems, and in many cases the sensitive information they hold is increasingly challenging, as the resources required to attack them are more easily available. Criminal activity in the form of cyber threats have increased during the pandemic, and the threats from state actors is also increasing.
- 6.20.** A recent report to Corporate Policy Committee (3<sup>rd</sup> March 2022) outlines the challenges in more detail, the current mitigation measures which are in place, and how the Council engages with sector specialists to monitor, identify and respond to emerging threats.
- 6.21.** The Council has recently been successful in obtaining additional funding from the Department of Levelling Up, Housing and Communities (DLUHC) to further improve the Council's security approaches.
- 6.22.** Following the Prime Ministers statement on February 21<sup>st</sup>, the remaining Covid restrictions in place have been removed, in line with the "Living with Covid" guidance. The impact of these national changes on managing SR 11 (Pandemic Virus) are being closely monitored.

### Q3 - Business Continuity

- 6.23.** The third quarter of 2021/22 offered further change in the pandemic, particularly as the Council responded to Plan B from 8<sup>th</sup> December. The report to the Corporate Policy Committee on 10<sup>th</sup> February is covered elsewhere on the Committee's agenda.
- 6.24.** To minimise the impact on the delivery of services to residents wherever possible, services reviewed their business continuity plans in relation to staffing levels, and the potential of other events occurring as the pandemic responses continued. CEmart has continued to receive updates on challenges to service delivery and business continuity challenges.

## **7. Implications**

### **7.1. Legal**

- 7.1.1.** There are no direct legal implications arising from the recommendations of this report. This report provides assurance to the Audit and Governance Committee that the Council achieves its strategic aims and operates its business, under general principles of good governance, that it identifies risks which threaten its ability to be legally compliant and operates within the confines of the legislative framework.

### **7.2. Finance**

- 7.2.1.** 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.

### **7.3. Policy**

7.3.1. 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.

### **7.4. Equality**

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

### **7.5. Human Resources**

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

### **7.6. Risk Management**

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

### **7.7. Rural Communities**

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

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

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

### **7.9. Public Health**

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

### **7.10. Climate Change**

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

<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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