

Audit and Governance Committee

Date of Meeting:	26 th May 2022
Report Title:	Annual Risk Management Report 2021/22
Report of:	Jane Burns, Executive Director Corporate Services
Report Reference No:	AG/40/21-22
Ward(s) Affected:	All

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 4 2021-22, and a reflection on the full year of 2021-22, supported by the detail provided in Appendices A-C.

3. Recommendations

- 3.1.** That the Annual Risk Management Report 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 update to Committee in November 2021 set out refreshed and refocused strategic risks. The Corporate Leadership Team risk owners and risk managers reviewed these strategic risks during Quarter 3 and have done so again in Quarter 4. Table 1 sets out the summary register with the net scores for each Quarter during 21/22.

Table 1

Ref	Risk	Q1	Q2	Q3	Q4	Direction of Travel
SR 1A	Increased Demand for Adult's Services	16	16	16	16	↔
SR 1C	Increased Demand for Children's Services	16	16	12	9	↓
SR 2	NHS Funding and Integrated Care System	16	16	16	16	↔
SR 3	Financial Management and Control	9	9	9	9	↔
SR 4	Information Security and Cyber Threat	12	12	12	12	↔
SR 5	Business Continuity	9	9	9	9	↔
SR 6	Organisational Capacity and Demand	12	12	12	12	↔
SR 7	Council Funding	16	16	12	12	↔
SR 8A	Governance and Decision Making	9	9	9	9	↔
SR 8B	Political Uncertainty	8	8	8	12	↑
SR 9	Capital Projects	12	12	6	6	↔
SR 10	Infrastructure Investment (O) (Opportunity)	12	12	12	12	↔
SR 11	Pandemic Virus	12	12	12	9	↓
SR 12	Fragility and failure in the Social Care Market	16	16	16	16	↔
SR 13	Reputation	9	9	9	9	↔
SR 14	Climate Change (Carbon Neutral 2025)	9	9	6*	6	↔
SR 15	Economy Risk	9	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 Q4. 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 commentaries for the Q4 period.
- 6.4.** Appendix C shows the Strategic Risk Register net scores for quarter 4 as a heat map, along with the scoring criteria for likelihood and impact.

Q4 2021/22 Updates on the Strategic Risk Register

- 6.5.** The majority of risks on the strategic risk register have remained static in terms of risk scores during Q4 22/23.
- 6.6.** Two risks on the Strategic Risk Register have decreased both gross and net scores during Q4: SR1C – Increased Demand for Children’s Services, and SR11 Pandemic Virus. One score, SR8b- Political Uncertainty has an increased net score.
- 6.7.** The scoring for SR1C – Increased Demand for Children’s Services has changed from a gross score in Q3 of 16 to a gross score of 12 in Q4. For the net score, this has changed from 12 to 9 in Q4
- 6.8.** These changes reflect adjustments to the likelihood of the gross and the net aspect of the scoring, because of the impact of risk mitigation activities in place:
- delivering partnership strategies to ensure early support to families providing the right support at the right time,
 - working together with families so we achieve the best outcomes for children and young and prevent children and young people from experiencing greater intervention in their lives.
 - developing a new partnership strategy for Early Help and Prevention to continue to improve our support to children and families.
- 6.9.** The scoring for SR11 – Pandemic Virus has changed from a gross score in Q3 of 16 to a gross score of 12 in Q4. For the net score, this has changed from 12 to 9 in Q4.
- 6.10.** Again, these are reductions in the likelihood aspect of scoring, due to the rates of Covid-19 decreasing across the UK, and the impact of national vaccination programmes, the success of local partnership working, and the continuation of local track and trace support.

- 6.11.** The potential for further disruption from outbreaks, or further variants of Covid-19, or a new virus altogether remains, however, the global and local ability to respond to, and manage the impact of such an event is significantly improved. The ask upon local authorities to continue to both support recovery from the pandemic, and to support again in the event of further outbreak is also recognised in SR6 Organisational Capacity and Demand.
- 6.12.** The net score for SR8b – Political Uncertainty has increased from 8 to 12, as an increase to the likelihood aspect of the risk scoring. Whilst there remain several nationally directed policies and programmes, such as integrated care systems, the levelling up agenda, and devolution, which are already recognised for their potential impact on the direction of the Council's own objectives, other factors are emerging.
- 6.13.** The continuing conflict in Ukraine, and the impact this has on both the political environment and consequential inflationary issues in the economy increases the likelihood of the Council needing to revisit priorities and deliverability.

2021/22 Annual Review of Risk Management

- 6.14.** During 2021/22, the Strategic Risk Register was reviewed quarterly, and as reported to November 2021 Committee, several the Strategic Risks were re-focused, and descriptions were re-visited during Quarter 1 and Quarter 2 to ensure they reflected the current challenges and threats to objectives.
- 6.15.** Since this exercise, there have been no further risks escalated or introduced to the Strategic Risk Register, and no risks have been removed from it to be held on operational level registers.
- 6.16.** Additional interventions in the management of strategic risks may still result in static risk scores, as shown in some of the net scores in Table 1. 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.
- 6.17.** Increases in inflationary pressures due to construction material costs and supply chain issues have been noted in the commentary for capital projects, infrastructure investment and the economy throughout the year. 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.

6.18. During 2021/22, the priority for the organisation in terms of risk management and business continuity was to continue to identify and manage Covid related risks to Council objectives and operational service delivery through the various phases of Covid response and restrictions. This was co-ordinated through CEmart, with support being provided by the attendance of the Head of Audit and Risk and Risk Manager.

Horizon Scanning

6.19. Recently published predictions from a range of industry bodies have identified risks and challenges which the organisation has either already recognised on its Strategic Risk Register or will need to include proactively consider.

6.20. These risks and challenges cover both direct impact on the organisation’s achievement of objectives and operational service delivery, as well as the indirect impact on communities which will increase demand for support.

6.21. Table 2 shows the predictions from Aon’s “2021 Global Risk Management Survey” for the top ten risks facing organisations in 2024. This survey included private and public sector respondents.

Table 2

Predicted top ten risks in 2024		Current CEC Strategic Risk Register
1	Cyber-attacks/Data Breach	SR4 Information Security and Cyber Threat
2	Economic slowdown/slow recovery	SR15 Economy Risk
3	Commodity price risk/scarcity of materials	SR9 Capital Projects SR7 Council Funding SR3 Financial Management and Control
4	Business interruption	SR5 Business Continuity
5	Accelerated rates of change in market factors	Pace of change and demand features across <u>all</u> strategic risks
6	Increasing competition	SR7 Council Funding
7	Failure to innovate/meet customer needs	SR6 Organisational Capacity and Demand
8	Regulatory/legislative changes	SR8B Political Uncertainty Impact of regulatory and legislative changes will impact across <u>all</u> strategic risks
9	Pandemic risk/health crisis	SR11 Pandemic Virus
10	Cash flow/liquidity risk	SR7 Council Funding SR3 Financial Management and Control

6.22. The Institute of Internal Audit “Risk in Focus 2022” survey also identified the top 5 risks for organisations presently, and the top 5 risks for organisations in three years’ time. Tables 3 and 4 shows these top 5 risks

compared to the Council's current risk register. Again, the respondents to this survey were across the private and public sector.

Table 3

	Top 5 Risks currently faced by the organisation	Current CEC Strategic Risk Register
1	Cyber security and data security	SR4 Information Security and Cyber Threat
2	Changes in laws and regulations	SR8B Political Uncertainty Impact of regulatory and legislative changes will impact across <u>all</u> strategic risks
3	Digital disruption, new technology and AI	SR6 Organisational Capacity and Demand
4	Human capital, diversity and talent management	SR6 Organisational Capacity and Demand
5	Business continuity, crisis management and disaster response	SR5 Business Continuity

Table 4

	Top 5 Risks facing the organisation in 2025	Current CEC Strategic Risk Register
1	Cyber security and data security	SR4 Information Security and Cyber Threat
2	Digital disruption, new technology and AI	SR6 Organisational Capacity and Demand
3	Changes in laws and regulations	SR8B Political Uncertainty Impact of regulatory and legislative changes will impact across <u>all</u> strategic risks
4	Human capital, diversity and talent management	SR6 Organisational Capacity and Demand
5	Climate change and environmental sustainability	SR14 Climate Change (Carbon Neutral 2025)

6.23. As demonstrated in the table above, all these predicted challenges from global risk trend forecasts already feature directly or indirectly within the current Strategic Risk Register, and it is positive that the organisation has already identified these as the key threats to the achievement of its objectives. As the nature of the challenges develops and changes, the organisation needs to ensure it understand these changes and can respond to manage them effectively.

2022/23 Priorities for Risk Management

6.24. The current Risk Management Framework covered 2020-2022 and is being updated to reflect the needs of risk management and risk reporting in the context of the Committee system, and to support greater cohesion in reporting risk alongside performance management and financial performance. This will include an assessment of the organisation's risk

maturity and risk management guidance and training materials will be updated as part of this.

- 6.25.** The completion of risk registers is undertaken as part of preparing service plans for 2022/23. These are being collated and the risk registers will be analysed to identify any trends, potential for compound/concurrent threats to be understood and to share ideas and practices within the organisation in terms of risk management and mitigation activity.

Business Continuity

- 6.26.** To minimise the impact on the delivery of services to residents wherever possible, services continue to review their business continuity plans in relation to staffing levels, and the potential of other events occurring as the pandemic responses continued. CEmart continued to receive updates on challenges to service delivery and business continuity challenges during the quarter.

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.

Access to Information	
Contact Officer:	Josie Griffiths Head of Audit and Risk Management Email: Josie.Griffiths@cheshireeast.gov.uk
Appendices:	Strategic Risk Register (Appendix A)
Background Papers:	Risk Management Framework 2020-22 Risk Management Updates to Audit and Governance Committee 2021/22 2021 Global Risk Management Survey (AON) Risk in Focus 2022 (Institute of Internal Audit)