

Corporate Policy Committee

Date of Meeting:	14 th July 2022
Report Title:	Strategic Risk Register Assurance Report
Report of:	Jane Burns, Executive Director, Corporate Services or David Brown, Director of Governance and Compliance
Report Reference No:	CP/7/22-23
Ward(s) Affected:	All Wards

1. Purpose of Report

- 1.1. One of the responsibilities of the Corporate Policy Committee is to have a co-ordinating role across all other committees and exercising a corporate view of outcomes, performance, budget monitoring and risk management.
- 1.2. This report provides an overview of the Council's Strategic Risk Register for 2021/22 and sets out the planned approach to reporting on the Strategic Risk Register for 2022/23.
- 1.3. Reporting on the Strategic Risk Register supports effective risk management, is central to good governance and supports the efficient delivery of the Council's corporate plan objectives.

2. Executive Summary

- 2.1. This report provides the Corporate Policy Committee with an overview of the activity of the Strategic Risk Register during 2021/22, with the Strategic Risk Register set out in further detail in the report appendices.

3. Recommendations

- 3.1. To note the position of the Strategic Risk Register 2021/22 and the planned approach to reporting for 2022/23, including the alignment of strategic risks to service committees as shown in Table 5.

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 and the effectiveness of its operations.

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. Risks included on the Strategic Risk Register are those which materially threaten the organisation's ability to achieve its strategic goals, in this case our corporate objectives. This could be in the form of an individual threat to a specific objective, or the compound effect of a threat across several areas. Items on the Strategic Risk Register are "owned" by members of the Corporate Leadership Team and are reviewed on a quarterly basis.
- 6.2. Co-ordination and administration of the Strategic Risk Register and the Risk Management Framework is undertaken by the Head of Audit and Risk Management.

Strategic Risk Register 2021/22

- 6.3. In November 2021, strategic risks were reviewed and refreshed in terms of description, scores and management activity, to ensure they reflected current threats and challenges. Since this refresh, no further items have been escalated or introduced to the strategic risk register, and no risks have been removed to be recorded on the operational level registers.
- 6.4. The Strategic Risk Register is shown in further detail in the Appendices.
- 6.5. Appendix A provides detail of the Strategic Risk Register in terms of risk description, risk owner, alignment with corporate objectives and the lead service committee for this strategic risk. This appendix also includes details the risk scoring criteria for likelihood and impact.
- 6.6. Appendix B provides details of the strategic risk register from the gross/unmanaged score, existing risk mitigation activity and the current net score as at Q4. Previous quarter net scores are also included.
- 6.7. Appendix C sets out the Strategic Risk Register from the net score to the target score, future planned mitigation activity and commentaries for the Q4 period.

6.8. Table 1, below, is a summary of the Strategic Risk Register items, with the net scores at each quarter of 2021/22.

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	↔

6.9. The majority of risks on the strategic risk register have remained static in terms of risk scores during 2021/22. Continuing and additional interventions in the management of strategic risks may still result in static risk scores, as shown in the majority of the risks during 2021/22.

6.10. By their complex nature, strategic risks will take time to respond to risk treatments and may require continual risk management activity, just 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.

6.11. During Quarter 4 2021/22 two risks on the Strategic Risk Register have decreased both gross and net scores: SR1C – Increased Demand for Children's Services, and SR11 Pandemic Virus. One score, SR8b- Political Uncertainty has an increased net score.

- 6.12. 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.
- 6.13. 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.
- 6.14. 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.
- 6.15. 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.
- 6.16. 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.
- 6.17. 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.
- 6.18. 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.

Role of the Audit and Governance Committee in Risk Management

- 6.19. The Council’s Audit and Governance Committee receives regular reports on risk management as part of its remit in considering the effectiveness of the system of risk management arrangements. This has included updates on

the Strategic Risk Register, progress against the Risk Strategy 2020/22, as part of the Risk Management Framework, and on the organisation’s business continuity arrangements.

- 6.20. This committee received a detailed report in November 2021 following a number of changes to the strategic risk register, a quarter 3 update in March 2022 and received an annual risk management update to the May 2022 meeting.
- 6.21. The Risk Management Framework will be updated during 2022, 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. The updated will include an assessment of the organisation’s risk maturity and risk management guidance and training materials will be updated as part of this. The revised Risk Management Framework will be considered by the Audit and Governance Committee and be recommended to the Corporate Policy Committee for adoption.

Horizon Scanning 2022/23

- 6.22. 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.
- 6.23. 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.
- 6.24. 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 1

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

6.25. 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 2

	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 3

	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)

6.26. 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.

- 6.27. The focus of review by the Corporate Leadership Team in reviewing the strategic risks during Quarter 1 of 2022/23 will be on the impact of matters such as the ongoing situation in Ukraine and cost of living pressures.
2022/23 Reporting Approach
- 6.28. The Corporate Policy Committee will receive regular updates on the Strategic Risk Register during 2022/23; these will provide the committee with details of any amendments to the content and coverage of the strategic risk register following the regular reviews by Corporate Leadership Team members. This will include the individual risk items which may be added to the strategic risk register or de-escalated for monitoring at an operational level.
- 6.29. The updates will include changes to the gross, net or target scores for each risk, an updated position on the risk management activity in place, and further commentary from the risk owner if relevant.
- 6.30. The Audit and Governance Committee will receive also receive updates on the Strategic Risk Register as part of their assurance role. As part of these reports, this committee will also receive assurance on the effectiveness of the risk management framework as it operates at other levels in the organisation, following the completion of risk registers as part of service plans for 2022/23.
- 6.31. As indicated earlier in this report, as part of revising the Risk Management Framework, work is planned to align the rhythm and content of risk reporting with reports on performance and financial management. This supports the Corporate Policy Committee's roles in exercising a corporate view of outcomes, performance, budget monitoring and risk management.
- 6.32. More focused information on the risks owned by, and relevant to the Corporate Directorate as part of the Committee's role in the oversight and scrutiny of Corporate Directorate will also be developed through 2022/23. Similarly, risk management content will be developed as part of the performance management and budget monitoring reports provided to other service committees.
- 6.33. Based on the current content of the strategic risk register, Table 5 below details how these strategic risks are proposed to be aligned to each service committee. Strategic Risks on Capital Projects and the opportunity risk for Infrastructure Investment are likely to be of interest to Environment and Communities, Economy and Growth and Highways and Transport; Members may wish to nominate a lead committee for these in due course.

Table 5

Ref	Risk	Service Committee
SR 1A	Increased Demand for Adult's Services	Adults and Health
SR 1C	Increased Demand for Children's Services	Children and Families
SR 2	NHS Funding and Integrated Care System	Adults and Health
SR 3	Financial Management and Control	Corporate Policy Committee
SR 4	Information Security and Cyber Threat	Corporate Policy Committee
SR 5	Business Continuity	Corporate Policy Committee
SR 6	Organisational Capacity and Demand	Corporate Policy Committee
SR 7	Council Funding	Corporate Policy Committee
SR 8A	Governance and Decision Making	Corporate Policy Committee
SR 8B	Political Uncertainty	Corporate Policy Committee
SR 9	Capital Projects	Environment and Communities Economy and Growth Highways and Transport
SR 10 (O)	Infrastructure Investment (Opportunity)	Environment and Communities Economy and Growth Highways and Transport
SR 11	Pandemic Virus	Adults and Health
SR 12	Fragility and failure in the Social Care Market	Adults and Health
SR 13	Reputation	Corporate Policy Committee
SR 14	Climate Change (Carbon Neutral 2025)	Environment and Communities
SR 15	Economy Risk	Economy and Growth

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 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.
- 7.3.2. The Risk Management Framework and is being updated and will be reviewed by the Audit and Governance Committee to be recommended for adoption by the Corporate Policy Committee.

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 and provides the Corporate Policy Committee with awareness of the most significant risks facing the Council, 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, B and C
Background Papers:	Risk Management Framework 2020-22 Risk Management Updates to Audit and Governance Committee 2021/22