

## **Corporate Policy Committee**

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<b>Date of Meeting:</b>	6 <sup>th</sup> October 2022
<b>Report Title:</b>	Strategic Risk Register Assurance Report 2022/23 Quarter 1
<b>Report of:</b>	Jane Burns, Executive Director Corporate Services David Brown, Director of Governance and Compliance
<b>Report Reference No:</b>	CP/14/22-23
<b>Ward(s) Affected:</b>	All wards

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### **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 update on the activity of the Council's Strategic Risk Register for Quarter 1 (April – June) 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 update on the activity of the Strategic Risk Register for Quarter 1 2022-23, with the Strategic Risk Register set out in further detail in the report appendix.

### **3. Recommendation**

- 3.1. To note the position of the Strategic Risk Register for Quarter 1 2022/23.

#### **4. Reasons for Recommendation**

- 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.
- 6.2. Items on the Strategic Risk Register are "owned" by members of the Corporate Leadership Team and are reviewed on a quarterly basis. Co-ordination and administration of the Strategic Risk Register and the Risk Management Framework is undertaken by the Head of Audit and Risk Management.

##### **Quarter 1**

- 6.3. The Quarter 1 period covered significant challenge and change nationally, particularly in relation to political leadership, with the election of a new Prime Minister and Cabinet. The situation in Ukraine has continued, along with further increases in the cost of living, which is presenting challenges to projects and initiatives in the organisation. Demand across Adult and Children Services has increased, not only in volume, but also in the increasing complexity of casework, against existing fragility in the care market and budget pressures. The challenges of Quarter 1 are also described in the performance report and finance updates elsewhere on the Committee's agenda.
- 6.4. Table 1 below sets out the strategic risk register content and the gross and net scores for Q1 22/23; the direction of travel being informed by the net position of the risk at the previous quarter review; Q4 2021/22. A number of the strategic risk descriptions (and scores) have been revised during the first quarter. Details are provided later in the report, but this should be considered in reviewing the direction of travel.

Table 1- Strategic Risk Register Position Quarter 1 2022/23

Ref	Risk	Q4 Net	Q1 Gross	Q1 Net	Target	Travel
SRR1A	Increased Demand for Adult's Services	16	16	16	9	↔
SRR1C	Increased Demand for Children's Services	9	16	12	9	↑
SRR2	NHS Funding	16	16	16	12	↔
SRR3	Financial Management and Control	9	16	9	6	↔
SRR4	Information Security and Cyber Threat	12	16	12	12	↔
SRR5	Business Continuity	9	12	9	9	↔
SRR6	Organisational Capacity and Demand	12	16	12	12	↔
SRR7	Council Funding	12	16	12	6	↔
SRR8A	Governance and Decision Making	9	16	9	4	↔
SRR8B	Political Uncertainty	12	12	12	6	↔
SRR9	Capital Projects	6	16	6	6	↔
SRR10	HS2 Infrastructure Investment	16	16	16	6	↔
SRR11	Pandemic Virus	9	12	9	6	↔
SRR12	Fragility and failure in the Social Care Market	16	16	16	9	↔
SRR13	Reputation	9	16	9	9	↔
SR14	Climate Change (CEC Carbon Neutral 2025)	6	16	9	6	↑
SRR15	Economy Risk	9	16	9	9	↔
SRR16	Integrated Care System (ICS) Integration	-	16	16	8	NEW

Table 2 – Strategic Risk Register Items ordered by net score – highest to lowest

Ref	Risk	Net Score Q1 22/23
SRR1A	Increased Demand for Adult's Services	16
SRR2	NHS Funding	16
SRR10	HS2 Infrastructure Investment	16
SRR12	Fragility and failure in the Social Care Market	16
SRR16	Integrated Care System (ICS) Integration	16
SRR1C	Increased Demand for Children's Services	12
SRR4	Information Security and Cyber Threat	12
SRR6	Organisational Capacity and Demand	12
SRR7	Council Funding	12
SRR8B	Political Uncertainty	12
SRR3	Financial Management and Control	9
SRR5	Business Continuity	9
SRR8A	Governance and Decision Making	9
SRR11	Pandemic Virus	9
SRR13	Reputation	9
SR14	Climate Change (Carbon Neutral 2025)	9
SRR15	Economy Risk	9
SRR9	Capital Projects	6

## Summary of Quarter 1 review

- 6.5. Common themes in relation to causes and consequences from the quarterly review are:
- In the post pandemic recovery phase, challenges to capacity in the National Health Service are in turn causing pressures on the delivery of local social care responsibilities and services (SRR1A, SRR2, SRR12 and SRR16). This is happening at a time when socioeconomic factors are also impeding recruitment (SRR1A, SRR1C, SRR2, SRR6, SRR12).
  - The interaction with central government is also flagged as causing uncertainty in several areas (SRR8B, SRR10, SRR16), impacting both services and infrastructure development; and
  - The increase in inflation, and particularly rising energy prices, has also impacted infrastructure development (SRR10, SRR14).
- 6.6. Of the 18 risks now on the Strategic Risk Register; 5 have the highest net score rating possible (16), 3 have the second highest (12), and the net score of two risks that have seen increases since the previous quarter.
- 6.7. Overall, external causes have dominated discussions in reviewing the risks during Quarter 1. While the Council's ability to influence them might be limited, there is a clear message that managing our response is key to mitigating any potential consequences. Based on the Quarter 1 review, the most significant objectives at risk in the short-term relate to adult social care whilst to a lesser degree and in the medium-term, it is the development of the borough's infrastructure and economy.

### Changes to individual risk descriptions and scores

- 6.8. The Strategic Risk Register is set out in detail in Appendix A, which includes a commentary for each risk, but key changes are provided in the following section of the report.
- 6.9. SRR1A Increased Demand for Adult's Services Whilst the risk description has been updated, there has been no change to the risk which is still at the highest possible rating. The updated description trials a more prescriptive format, with a clear focus on an objective, the context of the risk and potential impacts and causes described separately. For example, the context of this risk notes that, post pandemic, demand from working age adults has significantly increased by comparison to historical standards.
- 6.10. SRR1C Increased Demand for Children's Services; the net score for this risk has increased due to recruitment difficulties which are impacting service delivery.
- 6.11. Demand for children's services is not increasing, which suggests that we have effective processes in place to prevent need from escalating and

ensure children, young people and families receive the right support at the right time. However, due to difficulties with recruitment and retention, some teams within SEND and children's social care are experiencing higher caseloads than we would want, which is impacting on our ability to deliver timely services to children, young people and families at the high quality we aspire to. This is also impacting on capacity to deliver transformational, innovative and invest to save work, as when capacity is limited, we are required to focus on delivering statutory services.

- 6.12.** Caseloads for social work teams were raised in our recent joint targeted area inspection of child criminal exploitation; some social work teams are carrying 25% vacancies as recruitment is proving very challenging. Whilst these vacancies are covered in the interim by agency staff, difficulties with permanent recruitment and retention is being experienced nationally - but an established and experienced workforce is crucial in delivering effective support to children and young people. Children's services are working together with HR to develop a refreshed recruitment and retention strategy to address this.
- 6.13.** The Executive Director of Children's Services is co-leading a regional Cheshire and Merseyside workstream to look at regional solutions to recruitment and retention within children's services. We are participating in the DfE's delivering better value (DBV) programme to support the council to achieve a more sustainable financial position in relation to SEND. Delivery of our improvement plan in response to the findings from the joint targeted area inspection will also require significant resources which will impact on our capacity to deliver other work.
- 6.14.** SRR2 NHS Funding; this risk has been reviewed and updated, so that the risk arising from the move to the Integrated Care System is captured in a new separate risk; SRR16. The description for SRR2 has been updated, and whilst the score has been reviewed, this has resulted in no change, remaining at a net score of 12.
- 6.15.** The lack of mental health beds this quarter has resulted in service users being placed outside of the borough. This increases the administrative burden required to support each individual. From September 1st this year the NHS is being asked to reduce the number of beds which will add additional pressure to social care services.
- 6.16.** SRR3 Financial Management and Control; again the risk description has been updated, and although the score has been reviewed, it has resulted in no change to the rating. Further updates reflect ongoing roll-out and improvements within Unit 4.
- 6.17.** SRR4 Information Security and Cyber Threat; there has been no change to the risk score for Q1. The Council has secured a new tier of Microsoft licences, these will give ICT greater understanding and visibility of activity

within the infrastructure. This will allow technicians to analyse inappropriate activity and also provide some level of automation to close down vulnerabilities as they occur. The Council continues to receive a large volume of targeted threats against its workforce, training and the enhanced capabilities remain key to prevent that vulnerability being exploited.

- 6.18.** Work has commenced on a plan to realise the benefits from the high-level business case for Security and Compliance. A specialised third party, Info-Tech, has been engaged to direct the council, with the aim of ensuring that planning is in line with best practice and is directed at the most vulnerable technology domains.
- 6.19.** There is on-going activity around security governance and a security focussed operations group to strengthen the council's position on cyber security. The work will also encompass strengthening links with corporate and information governance.
- 6.20.** SRR5 Business Continuity; the description of this risk has been refreshed, with interdependencies and timescales for actions updated, and after review, there has been no change the rating.
- 6.21.** SRR6: Organisational Capacity; there has been no change to the rating of this risk. The labour market nationally remains challenging and additional pressures are being seen from the increases to the cost of living. Staff continue to work flexibly while work continues on designing a future hybrid way of working. The development of an improved approach to recruitment and retention is underway, with targeted actions to address any identified workforce gaps.
- 6.22.** SRR 7 Council Funding; there has been no change to the rating of this risk. Funding is being received in line with forecasts in the MTFS. In-year financial pressure gives on-going cause to liaise with government on the appropriateness of grant funding.
- 6.23.** SRR8A Governance & Decision Making; the description of this risk has been refreshed, and actions and timescales updated. After review, there has been no change the rating.
- 6.24.** SRR8B Political Uncertainty; the risk description has been updated to better describe the potential failures that could affect the council and draw out contributing causes. Controls and actions have also been updated, there has been no change to the rating at this time
- 6.25.** SRR9 Capital Projects; in response to the recent increase in inflation a review of the impact on capital projects has been carried out to assess affordability of the overall capital programme. The existing controls for effective governance and management of major capital projects remain in place. Each major capital scheme has its own project or programme governance in place. Additional governance mechanisms include Assets

Board and Place Board providing oversight on thematic programmes. There has been no change to the rating at this time.

- 6.26.** SRR10 HS2 Infrastructure Investment; this has previously been included as an “opportunity” rather than a “threat” on the strategic risk register. After careful review, this has been changed, recognising the considerable investment prospects which HS2 leverages, and the threat to achieving these, through a change in commitment to HS2, or failure to deliver would have significant consequences to strategic objectives. Controls and actions have been updated and the risk score reviewed, however there was no change, rating remains the highest possible.
- 6.27.** SRR11 Pandemic Virus, During the Quarter 1 review, there was a discussion around broadening the description of this risk to focus on the wider threat of pandemics post Covid-19, but this would be better informed during Quarter 2. It was noted that local wastewater sampling would begin in September. Assessments from other local authorities were reviewed, however no changes to the risk were formalised.
- 6.28.** SRR12 Fragility and Failure in the Social Care Market; the risk description has been updated to better describe the potential failures that could affect the council and draw out contributing causes. Controls and actions have also been updated and there has been no change to the rating at this time.
- 6.29.** SRR13 Reputation; there has been no change to the rating or description of this risk. Technology to enhance the monitoring and analysis of customer contact is being implemented with the first phase is anticipated to be live from October 2022. During this period, we saw particular interest and activity in the following topics:
- Great British Railway HQ bid
  - HS2
  - Road funding and maintenance (including gritting programme)
  - Homes for Ukraine scheme
  - South Macclesfield Development Area
  - Crewe Town Centre regeneration
- 6.30.** SRR14 CEC Carbon Neutral Status; world events have increased the gross likelihood and also resulted in an increase of a more material failure, increasing the net impact. Concerns have been raised over the ability of the Fleet and Heat workstreams in meeting their carbon reduction targets by 2025, putting at risk the overall objective of the council to be carbon neutral by that date.

- 6.31. SRR15 Economy Risk; there have been no material changes to the risk, with the primary message remaining that the UK’s national economic outlook remains fragile.
- 6.32. SRR16 ICS Integration; this risk was separated from the NHS funding risk to recognise the specific challenges to the council arising from failing to establish effective and timely communication, and decision-making arrangements within the Cheshire and Merseyside ICS. This is expected to be a short-term risk.

Emerging areas

- 6.33. As we approach the end of Quarter 2, we continue to see challenges to the organisation from increasing cost of living pressures and inflationary rises to supplies and services and expect to see further reflection on those in the quarterly assessments going forwards.
- 6.34. The outcome of the Joint Targeted Area Inspection will be carefully considered in the review of the Increased Demand for Children’s Services risk during its Q2 assessment. As will the on-going work for the planning review following the update report to the Environment and Communities Committee on 27<sup>th</sup> September.

Horizon Scanning

- 6.35. The Institute of Internal Auditors has recently published their “On Risk”<sup>1</sup> report identifying their top risks for 2022. Their methodology employed qualitative interviews of 30 board members, 30 executive level employees (Chief Executives, Chief Operating Officers, etc), and 30 Chief Audit Executives from 90 different organisations in North America.
- 6.36. The report presents the top risks as having ‘universal applicability to organisations, regardless of size, industry, or type’, although they do acknowledge that some organisations may have specific, key risks related to their industry or circumstances. The table below shows how they map against the council’s strategic risks, listed in order of magnitude as per the report:

On Risk 2022 Key Risks	CEC Strategic Risks
Cybersecurity	Information Security and Cyber Threat
Talent Management	Organisational Capacity and Demand
Organisational Governance	Governance and Decision Making
Data Privacy	Information Security and Cyber Threat
Culture	Governance and Decision Making
Economic & Political Volatility	Political Uncertainty Economy Risk
Change in Regulatory Environment	Political Uncertainty
Supplier & Vendor Management	Governance and Decision Making

<sup>1</sup> [OnRisk Report \(theiia.org\)](https://www.theiia.org/)



On Risk 2022 Key Risks	CEC Strategic Risks
Disruptive Innovation	Business Continuity
Social Sustainability	Increased Demand for Adult's Services Increased Demand for Children's Services
Supply Chain Disruption	Business Continuity Governance and Decision Making
Environmental Sustainability	Climate Change

**6.37.** Despite the sector and geographic differences between the IIA report and the strategic risk register, there is a strong level of correlation, even where some of the report's risks are more specific, e.g. supply chain disruption, there are linkages to the strategic risk register. It is positive that the organisation has already identified similar challenges as the key threats to the achievement of its objectives.

### **2022/23 Risk Management Approach**

- 6.38.** The production of the 2022/23 Service Plans required a related Risk Register to be completed; this required services to capture what they considered the keys risks to their area and operations. These have now been reviewed and have provided insight not only into those area's challenges but also into the maturity of risk reporting.
- 6.39.** Across the four directorates, a total of 32 registers have been returned, with final versions of a further 7 awaited. A total of 297 risks were reviewed across the service level registers from all four directorates and engagement was generally high.
- 6.40.** The majority of services identified risks that focused on emerging or on-going issues, rather than identifying risks to the achievement of existing service delivery responsibilities and objectives.
- 6.41.** Where service risks registers focused on objectives, the coverage and number of risks captured was significantly more by comparison to those that focused more so on specific issues. The majority of registers included detailed information on controls.
- 6.42.** Service registers will be subject to further analysis and feedback during the year to ensure that they are revisited, updated and developed to comprehensively cover risks associated with the service's established responsibilities as well as service development and change.
- 6.43.** Analysis of the issues or to give them their correct risk designation, 'causes', within the service risk registers has provided the opportunity to understand the current, common themes across the organisation.

Common causes of risk	No. of risks	Average rating
Staff resource or structure	46	8.4
Maintaining BAU (inc. COVID-19)	39	8.3

Common causes of risk	No. of risks	Average rating
Lack of compliance with regulatory requirements	15	8.3
Failure to comply with GDPR	6	10.2

- 6.44. The two most significant causes are not considered completely independent of each other, although there was enough distinction to separate them and obtain better insight than combining them. The following logic was used when classifying the two most common causes:

Cause of risk	Indicators
Staff resource or structure	Difficulty fulfilling positions
	Lack of required skills
	Requirement to restructure
Maintaining BAU (inc. COVID-19)	Increase in workload
	Impact of COVID-19 on productivity

- 6.45. Regardless of the explicit issues at play, it is clear that a productivity, workload imbalance was by far the strongest theme identified. While very strongly represented, 28.6% of all risks identified, the average rating was 8.4 suggesting it was being managed to an acceptable level. Although it must be acknowledged that some areas will have rated higher than the average. Based on the nature of the areas assessed, operational, this seems like a reasonable but notable outcome.

- 6.46. This theme is recognised in the strategic risks, SRR 6 Organisational Capacity and Demand which is rated 12 and has a target rating of 12. This indicates that the top-down view is that the risk is being managed adequately.

## 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.

### **7.4. 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.

<b>Access to Information</b>	
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Appendices:	Strategic Risk Register – Appendix A
Background Papers:	None