

Corporate Policy Committee

Date of Meeting:	1 December 2022
Report Title:	Strategic Risk Register Assurance Report Q2 2022/23
Report of:	Jane Burns, Executive Director Corporate Services David Brown, Director of Governance and Compliance
Report Reference No:	CP/25/22-23
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 update on the activity of the Council's Strategic Risk Register for Quarter 2 (July – September) 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 2 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 2 2022/23.

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 in the Corporate Plan. 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.

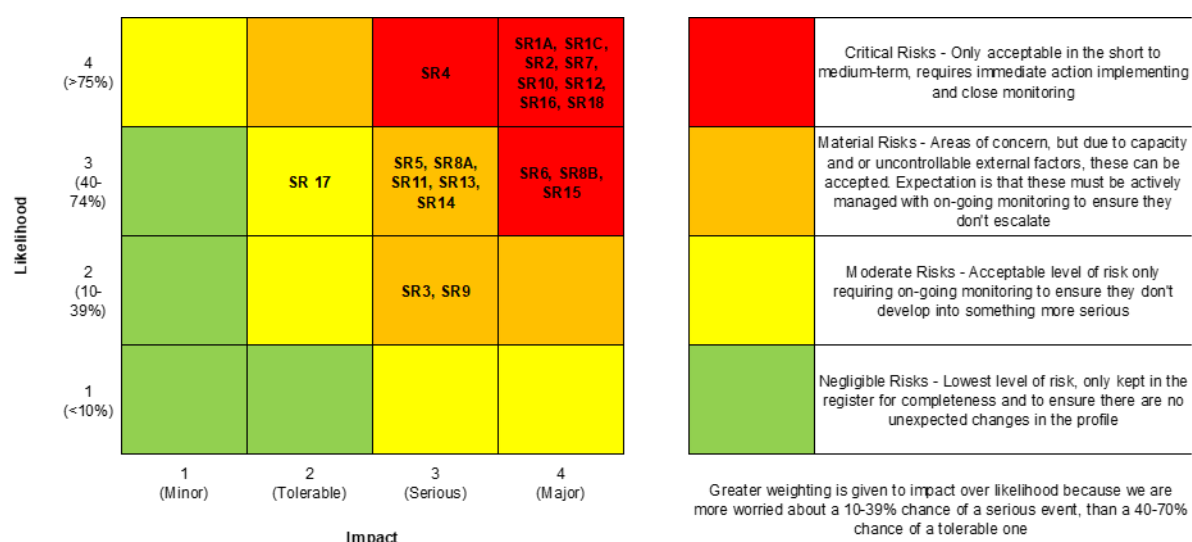
Quarter 2 2022/23

- 6.3.** Quarter 2 continued to be a period of on-going economic pressure and politically uncertainty for the country, and the council. During the period from July to September, inflation rose from 9.1% to 10.1%, interest rates rose to 2.25% in September, and a leadership election took place, with a Prime Minister taking office on 5 September.
- 6.4.** Continued rises in the cost of living have inevitably presented further demand for Council services, whilst the cost of providing those services continues to increase.
- 6.5.** For a limited time, or in isolated areas, factors such as these can often be withstood with minimal impact on overall performance. However extended periods, widespread or multiple factors, can and will, impact on an organisation's resilience. In this context, resilience indicates the ability to continually deliver services to a required standard within available resources.
- 6.6.** Table 1 below sets out the strategic risk register content and the gross and net scores for Q2 22/23; the direction of travel being informed by the net position of the risk at the previous quarter review; Q1 2022/23.
- 6.7.** However, the heat map below that (Chart 1) shows more starkly, the high concentration of critical and material rated risks.

6.8. Table 1- Strategic Risk Register Position Quarter 2 2022/23

Ref	Risk	Q1 Net	Q2 Gross	Q2 Net	Target	Travel
SR1A	Increased Demand for Adult's Services	16	16	16	9	↔
SR1C	Increased Demand for Children's Services	12	16	16	9	↑
SR2	NHS Funding	16	16	16	12	↔
SR3	Failure of Financial Management and Control	9	16	6	6	↓
SR4	Information Security and Cyber Threat	12	16	12	12	↔
SR5	Business Continuity	9	12	9	9	↔
SR6	Organisational Capacity and Demand	12	16	12	12	↔
SR7	Council Funding	12	16	16	9	↑
SR8A	Governance and Decision Making	9	16	9	4	↔
SR8B	Political Uncertainty	12	12	12	6	↔
SR9	Capital Projects - Place	6	16	6	6	↔
SR10	HS2 Infrastructure Investment	16	16	16	6	↔
SR11	Pandemic Virus	9	12	9	6	↔
SR12	Fragility and failure in the Social Care Market	16	16	16	9	↔
SR13	Reputation	9	16	9	9	↔
SR14	Climate Change (CEC Carbon Neutral 2025)	9	16	9	6	↔
SR15	Failure of the local economy	9	16	12	12	↑
SR16	Integrated Care System (ICS) Integration	16	16	16	8	↔
SR17	Local Planning Authority Modernisation Plan	-	12	6	6	NEW
SR18	Delivery of the JTAI Improvement Plan	-	16	16	12	NEW

Chart 1 – Strategic Risk Heat Map Quarter 2 2022/23



6.9. The descriptions to the right of the heat map have been developed to help provide better context to the ratings of risks.

Summary of Quarter 2 reviews

- 6.10.** Themes in the second quarter generally represent the underlying challenges noted in the first quarter, arising from cost increases, and demand pressures. Additionally, we have noted the following:
- The effectiveness of our arrangements in relation to outsourcing and governance of partnerships and external arrangements (SR8A, SR16, SR18).
 - The continued impact of the weak national economy (SR1A, SR2, SR6, SR10, SR15).

Changes to individual risk descriptions and scores

- 6.11.** All strategic risks are detailed in full in Appendix A, changes to ratings and comments from the Quarter 2 update are described in this section of the report.
- 6.12.** SR1A Increased Demand for Adult's Services; we are seeing the impacts of inflation impacting on demand for social care. Families are increasingly turning to Adult Social Care to offer support when they are no longer able to offer this support. The pressure on the system to discharge from acute hospitals together with a shortage of available care in the market is resulting in longer waiting lists and the subsequent frustrations that families feel. Some individuals waiting for hospital interventions, for example knee and hip surgery, are turning to Adult Social Care for support whilst awaiting their procedures. In addition, care providers report staffing shortages and difficulties maintaining stable structures.
- 6.13.** The difficulties of recruitment and retention of staff is having an impact across Adult Social Care, resulting in the increased use of agency staff across the whole service.
- 6.14.** Due to the challenges of managing the budget, consideration will need to be given to the creation of waiting lists for assessments. This risks reputational damage to the council and an increase in complaints and LGO investigations.
- 6.15.** SR1C Increased Demand for Children's Services; the net score for this risk has increased to the highest rating, this is the second quarter in a row there has been an increase.
- 6.16.** Children's services have a mitigated budget deficit of £3.5m as reported in the first financial review for 2022-23 due to an increase in the complexity of children and young people's needs and the increased costs of placements and services including transport because of inflation. A report elsewhere on the agenda reports on the forecast budget outturn.
- 6.17.** Due to difficulties with recruitment and retention, which are also being experienced nationally, some teams within SEND and children's social care

are experiencing higher than average workloads. This is impacting on our ability to deliver timely services to children, young people, and families at the high quality we aspire to. Work is underway to improve recruitment and retention however this is a significant national pressure and challenge.

- 6.18.** 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.
- 6.19.** SR2 NHS Funding; There has been no material change to the risk in Q2; it remains at the highest possible score for the gross and net risk. An action has been added for the development of new local Integrated Governance arrangements.
- 6.20.** The end of short-term grants such as the Hospital Discharge Fund and increasing costs of short stay bed provision is impacting on care capacity and increasing Adults Social Care costs.
- 6.21.** SR3 Failure of Financial Management and Control; The risk description and title have been updated to draw out the consequences and causes, with several completed actions moved to the controls section. In turn, this has reduced the likelihood aspect of the net risk score, which means that the net score is now equal to the target score.
- 6.22.** Consideration will be given to this risk during Q3 review as to its continued inclusion on the Strategic Register, and whether this risk should now be monitored on the Finance Service's operational risk register. For the moment, its inclusion does reflect that any funding issues currently being experienced are not due to failures of internal controls.
- 6.23.** SR4 Information Security and Cyber Threat; there has been no change to the risk's rating from the previous quarter.
- 6.24.** Work continues to define the work plan and activities under the Security and Compliance Programme. Risk workshops have been held with managers in ICT Services to embed a risk approach to project and business activities.
- 6.25.** Public Services Network (PSN) accreditation has been achieved for 2022/23. New tools to monitor and capture phishing exploits are being deployed with additional training for staff to raise awareness being made available. Enhanced security features secured from Microsoft are being rolled out to further protect the estate.
- 6.26.** An Information Security Steering Committee has been set up to co-ordinate activity across the Security and Compliance Programme, the DLUHC Cyber Funded projects and the security projects within ICT Services.
- 6.27.** SR5 Business Continuity; there has been no change to the risk's rating from the previous quarter.

- 6.28.** A review of training materials to support use of the business continuity software is in progress, and an exercise to ensure employee and users of the system are current began in Quarter 2 and continues into Quarter 3.
- 6.29.** Work with ICT Services to identify key connection points from service business continuity plans into central IT disaster recovery plans is also being supported, to ensure service plans are challenged and tested in relation to their reliance on ICT, and expectations on sustained loss of service. These can be progressed through the refresh of the individual and organisation wide plans.
- 6.30.** SR6 Organisational Capacity; there has been no change to the risk's rating from the previous quarter.
- 6.31.** As mentioned under SR 1, the labour market nationally remains challenging, with some services experiencing recruitment and retention difficulties. In addition, the cost-of-living crisis is impacting on staff financially and in terms of their wellbeing and resilience. It is anticipated that this will continue over the winter months. Proactive support for employees and residents on the cost of living has been progressed during this quarter, continuing into Quarter 3.
- 6.32.** SR7 Council Funding; As part of the Q2 review, the risk description has been updated to draw out the consequences and causes, recognising the increase in the likelihood aspect due to high levels of national debt, high inflation, and a weak national economy. Further action on budget balancing has been added, along with the review of funding for SEND services which is underway; this is also noted on SR1C Increased Demand for Children's Services risk.
- 6.33.** Based on the external influences and very challenging context for this risk, the net score has been increased from 12 to 16, and the target score has also been increased to 9. This reflects that with the current pressures, there is a reduction in the "best-case scenario".
- 6.34.** SR8A Governance & Decision Making; Although the scoring for this risk has not changed since the previous quarter, the risk has been updated across several areas of the risk record.
- 6.35.** This includes an update to the risk description, including the poor use of public funds and reputational damage in the consequence, and re-wording the causes for greater clarity. Further detail on control has been added for the adjustments before an election as per the Recommended Code of Practice for Local Authority Publicity. Constitutional updates this period have focused on routine administrative amendments.
- 6.36.** An action has been added for a review of shared service/partnership governance arrangements due to two issues recognised in this quarter: the publication of the joint targeted area inspection (JTAI) on Cheshire East Safeguarding Children's Partnership's response to children at risk of

criminal exploitation, and the review of ASDV governance arrangements as a significant governance issue in the Annual Governance Statement. This recognises the need for the Council's arrangements to be reviewed and updated in light of updated CIPFA guidance and several related public interest reports.

- 6.37.** Two potential issues in relation to the organisation's arrangements for the forthcoming election in May 2023 are being monitored and managed: the proposed changes to legislation in relation to voter identification and the close proximity to the Coronation of King Charles III to the local elections.
- 6.38.** SR8B Political Uncertainty; Again, although the scoring of the risk is unchanged, the risk record has been updated in several areas. Detail on the consequences, causes and controls has been updated. Whilst there has been no material change to the council and its internal operations, the national political picture has seen significant change over course of Quarter 2, which continues into Quarter 3. Changes in national political leadership bring about a degree of change, challenge, and a lack of clarity on future policy.
- 6.39.** Current issues that are potentially disruptive is the level of uncertainty in central government policy and national financial instability. Notable issues are the absence of or delays in decisions on Levelling Up, ICS implementation, reforms to adult social care, HS2, Great British Railways HQ and devolution.
- 6.40.** SR9 Capital Projects - Place; there has been no change to the risk's rating from the previous quarter, the existing controls for effective governance and management of major capital projects remain in place.
- 6.41.** Each major capital scheme has its own project or programme governance in place. Additional governance mechanisms include officer-level Assets Board and Place Board providing oversight on thematic programmes. These governance arrangements consider and advise on the prioritisation of resources and funding, including, where appropriate, adjustments to time, cost, and quality parameters.
- 6.42.** The review of the inflationary impact on capital projects has been completed. Additional funding has been agreed for some projects, funded from allocations within the Capital Programme for Exceptional Inflation and Strategic Projects, subject to appropriate approval procedures. However, this will need to be kept under review in line with the Council's significant financial challenges.
- 6.43.** SR10 HS2 Infrastructure Investment; there has been no change to the risk's rating from the previous quarter, amendments in the risk record have been made to the risk description, updating it to better define and articulate the risk.

- 6.44.** SR11 Pandemic Virus, the level of threat has persisted through the period with significant pressure is expected during the winter for the NHS and consequent follow-on pressures to adult social care. The medium to long-term impacts of the COVID-19 pandemic have influenced services and delivery, as described elsewhere across the Strategic Risk Register.
- 6.45.** SR12 Fragility and Failure in the Social Care Market; The score risk for this risk remains at 16. The impact of the recruitment and retention crisis in Adult Social Care is mentioned above. There are currently over 200 people awaiting a package of domiciliary care (equating to over 2,700 hours of care required) and packages of care are being handed back by care providers on a regular basis due to staff leaving the care sector to work in higher paid and less stressful positions in retail and hospitality or staff sickness. This is impacting significantly on the hospitals with over 100 medically fit patients awaiting discharge.
- 6.46.** During the Quarter 2 period, the Council's Reablement team has been called on to support a Care at Home provider with care calls and training for staff due to a high number of resignations and sickness.
- 6.47.** Although care home bed vacancies remain higher than normal, many of the beds cannot be filled due to staffing shortages or closures due to COVID-19 or other infectious diseases such as diarrhoea and vomiting. There are particular shortages of nursing and nursing dementia beds.
- 6.48.** A Crisis Response team utilising CEC staff is in the process of being set up to respond in an emergency situation.
- 6.49.** The same issues are being experienced throughout the region and nationally as evidenced by a recent CQC report on the State of Care. In response the Government has just announced a £165.2m fund to support the adult social care workforce. While it is anticipated that this short-term funding may help alleviate some of the issues it may not provide a longer-term solution to the problem of care staff feeling undervalued and underpaid.
- 6.50.** SR13 Reputation; there has been no change to the risk's rating from the previous quarter. The risk has three distinct elements, and comments on each element are provided below.
- 6.51.** Communication & Media: The Corporate Policy Committee approved the draft Communications Strategy for Residents to go to public consultation ahead of consideration for approval and adoption by Corporate Policy Committee in December 2022. During the second quarter we saw particular interest and activity in the following topics:
- HM Queen Elizabeth II
 - Great British Railway HQ bid
 - HS2
 - South Macclesfield Development Area

- Homes for Ukraine scheme
- Crewe Town Centre regeneration
- Best4Business programme
- Middlewich petition
- Roadworks
- Public art projects
- Recruitment and retention

- 6.52.** Customer Experience: The first phase of technology to enhance the management, monitoring and analysis of customer contact was being prepared during the second quarter, ready for implementation in October 2022. A revised process for managing the quality of complaints and formal correspondence was approved and will be trialled within the Planning Service in the next quarter. Work has been ongoing in embedding and monitoring the Customer Charter.
- 6.53.** Consultation: New arrangements are being put in place for consultation and engagement which will reduce duplication.
- 6.54.** SR14 CEC Carbon Neutral Status; there has been no material change to the risk in this quarter, previously identified pressures remain significantly challenging but existing controls and planned actions are being delivered as expected.
- 6.55.** SR15 Failure of the Local Economy; recent political uncertainty and national economic performance have driven an increase in both the net and target scores although headroom remains for a further increase to the net score. The scope of the risk has been refined with a focus on the local economy rather than the national. Risk appetite, controls and interdependencies updated. No further actions have been identified as net score is equal to target, indicating that the risk is being managed as well as possible given the level of influence available.
- 6.56.** Specifically drawn out in the description is that central government policy and the national economy are the main drivers for this risk.
- 6.57.** SR16 ICS Integration; there has been no change to the risk's rating from the previous period, remains at the highest score possible.
- 6.58.** New governance arrangements and Section 75 agreements have been approved and are now in place, including the Cheshire East Health and Care Partnership Board, which has met in shadow format, and will meet fully in November 2022.
- 6.59.** Communications between the ICS and local 'Places' including the ICB are still limited while structures are still under development, with ongoing mapping of programme at Cheshire and Merseyside and Place level. The joint appointment of the Council's Director of Commissioning within the ICB as the Associate Director Transformation & Partnerships/Cheshire &

Mersey ICB Cheshire East will have an impact on communications from the ICS to the local authority.

- 6.60.** Visits are due on the 27 October and 7th November from the ICS (including Graham Urwin, Chief Executive of the NHS Cheshire and Merseyside) with the Cheshire East Place to understand more about the progress and level of 'maturity' of the Cheshire East 'Place'. Our local self-assessments indicate that we have progressed against most of the domains within the Cheshire and Merseyside Maturing Framework. This is due to the development of our local integrated governance arrangements, partnership working and strategic developments.
- 6.61.** SR17 Local Planning Authority Modernisation Plan; this is a new inclusion on the Strategic Risk Register, recognising the impact that failure to achieve the objectives of the modernisation plan would have; undermining the planned transformation of the service, perpetuating, and potentially extending the issues identified and undermining the reputation of the organisation. A gross score of 12, and net score of 6 have been set for this risk.
- 6.62.** SR18 Delivery of the JTAI Improvement Plan; a new risk added by the Children's directorate with the highest possible rating for both gross and net scores. This risk recognises the potential impact of the Safeguarding children's partnership failing to achieve the improvements needed at the necessary pace, and as such failing to address the recommendations from the joint targeted area inspection (JTAI).
- 6.63.** Several changes were made immediately following the inspection to ensure that children and young people at risk of exploitation were safe, and to improve processes to protect children and young people from harm. A comprehensive partnership improvement plan is now in place which addresses all the recommendations from the inspection as detailed in the letter of findings. An Improvement Executive Board is in place to scrutinise progress against the plan and ensure that this is achieved at pace. Governance arrangements are currently being established to support effective delivery of the plan and scrutiny of its impact on outcomes for children and young people. There is strong partnership commitment to ensuring changes are achieved for children and young people.

Emerging Areas – into Quarter 3

- 6.64.** Corporate Policy Committee will receive the Quarter 3 update at their March 2023 meeting; however, it is already clear that the achievement of the Council's objectives continues to be significantly challenged in a number of key areas reflected on the strategic risk register.
- 6.65.** National policy direction and fiscal approach from central government is still emerging following the change of Prime Minister and Cabinet appointments from 25 October onwards; there could be significant impacts upon the Council's financial position depending on both national fiscal plans, which

haven't been announced at the time of writing, and specific projects and plans within the Council which are reliant upon central government funding.

- 6.66.** These will also impact upon the national and local economy, which the Council could experience as both further increases on the cost of living for residents, service users and staff, and further demand for Council services. The financial position is already being very closely monitored and managed through action plans; services will need to be clear about how the action required to manage our financial position impacts in relation to the achievement of Corporate Plan objectives.
- 6.67.** Balloting for industrial action is underway across a number of sectors and services, with strike action planned or continuing across others; this includes rail, postal services, education, and areas within health and social care. Many of these have the potential to impact upon the Council's areas of service delivery and business continuity impact assessments will be undertaken to determine the scale of impact and to ensure service delivery can be maintained wherever possible.
- 6.68. Horizon Scanning**
- 6.69.** The Institute of Internal Auditors (IIA) has recently published their 'Risk in Focus'¹ report identifying the top risks for 2023. Their methodology was to distribute a quantitative survey to Chief Audit Executives (CAE) in 15 European countries, including the UK. The survey received 834 responses, an all-time high for the project, with the headline question being 'What are the top five risks your organisation currently faces?'.
- 6.70.** The report presents the top risks covering all sectors and industries as a tool to inform internal audit thinking and as a benchmark for organisations to compare and contrast their own risks assessments. Organisations are encouraged to use the findings to promote discussion at Audit Committee meetings. The table below shows the risks that appeared in respondent's answers the most, arranged by most responses at the top, and how the strategic risks map against them.

Risk In Focus 2023	CEC Strategic Risks
Cybersecurity and Data Security	Information Security and Cyber Threat
Human Capital, Diversity and Talent Management	Organisational Capacity and Demand
Macroeconomics and Geopolitical Uncertainty	Failure of the Local Economy
Changes in Laws and Regulations	Political Uncertainty

¹ Risk In Focus 2023 (theiia.org)

Risk In Focus 2023	CEC Strategic Risks
Digital Disruption, New Technology and AI	N/A ²
Climate Change and Environmental Sustainability	Climate Change (CEC Carbon Neutral 2025)
Business Continuity, Crisis Management and Disasters Response	Business Continuity
Supply Chain, Outsourcing and 'Nth' Party Risk	Governance and Decision-Making and various others ³
Financial, Liquidity and Insolvency Risks	Council Funding
Organisational Governance and Corporate Reporting	Governance and Decision Making

- 6.71.** Despite the sector and geographic differences between the IIA report and the strategic risk register, there remains a strong level of correlation as seen in other comparisons. The phrasing and scope of risks may differ, as would be expected, but the themes and positions held are consistent, providing a measure of assurance and comfort.

7. Consultation and Engagement

- 7.1.** Each risk included in on the Strategic Risk Register is “owned” by a member of the Council’s Corporate Leadership Team. At each quarter, the risk detail is updated through managers in their areas of responsibility, and the updated register is reviewed collectively by the Corporate Leadership Team. For the second quarter review, this exercise included the Wider Leadership Team, and covered risk management, performance management and financial management to ensure collective understanding and onward reporting to the Corporate Policy Committee.

8. Implications

8.1. Legal

- 8.1.1.** 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.

² There is no risk that directly maps here, digital disruption is very much a cause-based risk, rather than objective based one. For example, if there was an increase in the efficacy of AI based hacking attacks, it would be highlighted in the Information Security and Cyber Threat risk. This approach anchors an issue to an outcome, or multiple desired outcomes, and informs on its impact.

³ The Governance and Decision-Making risk would indicate how well arrangements with third parties are being implemented. However there are a number of other risks that specifically draw upon the council's reliance upon specific arrangements or interdependencies; NHS Funding, Political Uncertainty, Capital Projects - Place, HS2 Infrastructure Investment, Fragility and Failure in the Social Care Market and Integrated Care System (ICS) Integration.

8.2. Finance

- 8.2.1.** 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.

8.3. Policy

- 8.3.1.** 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.

8.4. Equality

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

8.5. Human Resources

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

8.6. Risk Management

- 8.6.1.** 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.

8.7. Rural Communities

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

8.8. Children and Young People/Cared for Children

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

8.9. Public Health

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

8.10. Climate Change

8.10.1. 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:	None