

## **Audit & Governance Committee**

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**Date of Meeting:** 31 July 2018

**Report Title:** Risk Management Update Report

**Portfolio Holder:** Councillor Paul Findlow, Portfolio Holder, Corporate Policy and Legal Services

**Senior Officer:** Daniel Dickinson, Acting Director of Legal Services

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### **1.0 Report Summary**

- 1.1 This update report provides the Committee with a summary on risk management activity since the previous report at the end of May 2018.

### **2.0 Recommendation/s**

- 2.1 That the Audit and Governance Committee note the report which is for provided for information.

### **3.0 Reasons for Recommendation/s**

- 3.1 It is the role of Audit and Governance Committee to provide independent assurance to the Council on the adequacy of the risk management framework and the internal control environment.

### **4.0 Other Options Considered**

- 4.1 This section is not applicable.

### **5.0 Background**

- 5.1 Risk management is about effectively managing risks that could affect the achievement of the Council's objectives and ensuring that the Council has an appropriate risk culture in place.
- 5.2 A risk is concerned with a threat, or a possible future event, which will adversely or beneficially affect the Council's ability to achieve its objectives. Risk management is central to good governance; managing risk is all about people making the best decisions at all levels within the organisation.

- 5.3 Business continuity management is a specialist area of the Council's risk management framework and is concerned with developing an organisation's ability to provide critical services, or business processes in the event of an interruption. It incorporates all aspects of an incident lifecycle from identification of an incident through to resuming business as usual activities. This is reinforced by the Civil Contingencies Act 2004 (CCA), which imposes a statutory duty for the Council to be resilient.

## **6.0 Briefing Information**

### Business Continuity:

- 6.1 The Council's corporate risk register identifies a wide range of threats which may disrupt services; the top 5 corporate risks include capacity and resource threats, financial resilience, and technology threats which means that the need for plans to deal with potential disruptions is more important than ever before.
- 6.2 Included within the Civil Contingencies Act are two distinct Business Continuity Management (BCM) related duties:

➤ Implementing business continuity plans

Section 2 (1)(c) of the Act places a legal duty on all category 1 responders (this includes the Council) to develop and maintain plans that will ensure they can continue to deliver their functions in an emergency so far as is reasonably practicable. These duties relate to all of a category 1 responder's functions, including the provision of key services, not just emergency response functions. In order to meet these requirements the Council needs to consider the resilience of organisations relied on to maintain key services, including wholly owned companies and third party service providers.

➤ Providing advice and assistance to commercial and voluntary organisations

Section 4 of the Act gives local authorities an additional duty: to promote and provide general BCM advice to commercial and voluntary organisations in their area. This duty is directly linked to the Government's overall resilience agenda and aims to enable local businesses to better maintain critical elements of their service and recover more quickly should an incident arise, subsequently lessening the economic and social impact on the local community. Local authorities may charge on a cost recovery basis for the requested provision of more specific advice and assistance.

- 6.3 The Council's Business Governance and Risk Manager is responsible for developing and delivering an effective business continuity programme. This

includes facilitation and co-ordination of plans throughout the organisation. The Council recognises the importance of ensuring that their professional staff remain competent and up to date with changes in best practice. The Business Continuity Institute (BCI) has recently updated its Good Practice Guidelines (GPG) to the 2018 Edition (previously 2013). This GPG forms the syllabus for the Certificate of the BCI (CBCI) examination leading to the internationally recognised CBCI credential. The GPG is recognised as industry best practice for professionals, by professionals in organisations all over the world. The Council has supported the Business Governance and Risk Manager in recently achieving this qualification to ensure continued professional capability in Business Continuity which is a key discipline that sits at the heart of building and improving the resilience of the Council.

6.4 “The business continuity programme is an ongoing management and governance process supported by top management and appropriately resourced to implement and maintain business continuity.” (Source ISO 22301:2012). It is important to note that the business continuity programme is an ongoing process, which adapts in response to the changing nature of the Council’s internal and external operating environment. In light of the updated GPGs the Council is treating the implementation of this programme as if its for the first time. This will mean undertaking all activities detailed in the business continuity management lifecycle, however revisions to the programme will likely involve less activity if there is no significant change in the Council’s requirements.

6.5 There are six professional practices that make up the stages of the business continuity management lifecycle which are as follows:-

#### Management practices

I. Policy and Programme Management

II. Embedding

#### Technical practices

III. Analysis

IV. Design

V. Implementation

VI. Validation

6.6 We are currently in the first stage of the lifecycle and as recommended by the Audit and Governance Committee, Cabinet approved the Business Continuity Policy Statement and Strategy on 10 July 2018. The Policy provided the

strategic direction from which the business continuity programme will be delivered and it defined the way in which the Council will approach business continuity. The next step is to refine the scope of the business continuity programme before proceeding with the Analysis, Design, Implementation and Validation stages of the business continuity management lifecycle. This will ensure that the business continuity programme and associated activities focus on the Council's priorities and ensure the programme makes best use of available resources. When determining the scope of the programme it is important for the Council to consider the maximum extent of damage, loss, or disruption to the Council.

- 6.7 The main technique used for the analysis of the Council for business continuity purposes is the business impact analysis (BIA), this provides information to determine the most appropriate business continuity solutions and an initial BIA can be used to clarify the scope of the business continuity programme. (This is typically only required the first time an organisation conducts a BIA). A thorough understanding of the organisation, using these analysis techniques can often highlight inefficiencies and areas for improvement to top management and so also add value. They also provide opportunities for collaboration between related management disciplines to contribute to, and build resilience. It is therefore important to identify and invite the most appropriate individuals to provide input into the BIAs and so this step is currently being worked on with the Corporate Leadership Team.
- 6.8 An important part of the business continuity lifecycle is about understanding and influencing organisational culture to ensure successful embedding of business continuity. This means identifying interested parties and determining how best to engage and communicate with them. As part of this, at the end of June we undertook an awareness raising campaign by undertaking a Cyber Attack Awareness Exercise with colleagues from across various areas of the Council.
- 6.9 The awareness session included a short briefing by ICT Shared Service as to the cyber risks faced by Cheshire East Council. The exercise was discussion based using a relevant scenario of the Council's ICT systems and network being attacked and switched off. The awareness exercise was set in a table-top environment and included various time-jumps to allow different phases of the scenario to be exercised and discussed. The aims of the awareness session were:-
- ✓ to engage colleagues across the Council in business continuity,
  - ✓ raise awareness of previous and possible future impacts,
  - ✓ consider existing measures and future measures to manage an incident
  - ✓ share best practice and ideas and resources

- ✓ assist with the further development of resilient Business Continuity Plans
- ✓ highlight areas of support and potential service requirements both corporately and by the IT Shared Service

6.10 The session was well attended by delegates representing the Council's three Directorates and the evaluation questionnaires gave positive feedback as follows:-

- 100% return that delegates felt the awareness session was of value to them
- Almost as many delegates found that the discussion with colleagues was as useful to them as undertaking the scenario exercise
- Of the different elements of the event 50% of the delegates found the awareness exercise elements as 'very good', 50% found them to be 'good' and there were no elements rated as 'very poor', 'poor' or 'satisfactory'
- The response to the question around what the delegates would have liked more of was to have practical examples and sessions on how to complete their business continuity plans which will be taken account of as part of the Business Continuity programme.

#### Risk Management:

6.11 Included in the Council's top 5 highest rated Corporate Risks is Risk 4 which is entitled 'Contract and Relationship Management'. The risk description for this risk is as follows:-

#### Contract and Relationship Management:

(Cause) Risk that the Council does not improve the effectiveness of its approach to contract management, including skilled staff to manage contracts and relationship management with the Council's providers, in a timely manner, (Threat) such that contractual arrangements may not be robustly specified, or that they fail to deliver expected outcomes and/or within contracted costs and/or within expected timescales and/or fail to comply with contract agreements. (Impact) This will affect the Council's ability to achieve all of its priorities and outcomes, realise agreed savings to ensure better value for money, and it may have a detrimental effect on the Council's reputation for delivery.

6.12 The Committee will receive a short overview on the management of Corporate Risk 4 to date and the future planned mitigation to reduce this risk.

## **7.0 Implications of the Recommendations**

7.1 Policy: Risk management is integral to the overall management of the authority and, therefore, key policy implications and their effective

implementation are considered within team and department risk registers and as part of the risk management framework.

- 7.2 Financial: There are no direct financial implications in relation to this report. However, a risk around financial resilience is included as a corporate risk. General reserves are focused on the Council's potential exposure to risk and the Council's corporate insurance policies provide some financial compensation against risk. In addition, where a particular area has been identified as specific risk or investment opportunity, then an amount will be earmarked for that specific purpose as part of the Medium Term Financial Strategy (MTFS) process.
- 7.3 Legal: This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.
- 7.4 Risk Management: 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. The content of this report seeks to achieve the following risk objectives:-

Key Risk Objectives
That Cheshire East Council properly develops, implements and demonstrates an effective risk management framework
That Cheshire East Council applies its risk management policy consistently across the Council
That Cheshire East Council recognises risks and makes correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities

- 7.5 Rural Communities Implications:  
There are no direct implications for rural communities.
- 7.6 Implications for Children & Young People:  
There are no direct implications for children and young people.
- 7.7 Public Health Implications:  
There are no direct implications for public health.

## **8.0 Contact Information**

- 1.1. Any questions relating to this report should be directed to the following officer:

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