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Audit and Governance Committee

Agenda

Date:	**Thursday, 30th May, 2024**
Time:	**10.00 am**
Venue:	**Capesthorne Room, Macclesfield Town Hall, SK10 1EA**

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings will be uploaded to the Council's website.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

   To note any apologies for absence from Members.

2. **Declarations of Interest**

   To provide an opportunity for Members and Officers to declare any disclosable pecuniary interests, other registerable interests, and non-registerable interests in any item on the agenda.

3. **Minutes of Previous Meeting** (Pages 5 - 10)

   To approve as a correct record the minutes of the meeting held on Thursday 7 March 2024.

For requests for further information
Contact: Nikki Bishop, Democratic Services: nikki.bishop@cheshireeast.gov.uk
Tel: 01270 686462

4. **Public Speaking Time/Open Session**

In accordance with paragraphs 2.24 of the Council's Committee Procedure Rules and Appendix on Public Speaking a total period of 15 minutes is allocated for members of the public to put questions to the committee on any matter relating to this agenda. Each member of the public will be allowed up to two minutes each to speak, and the Chair will have discretion to vary this where they consider it appropriate.

Members of the public wishing to speak are required to provide notice of this at least three clear working days' in advance of the meeting and should include the question with that notice.

5. **Action Log** (Pages 11 - 14)

To receive an update on the Audit and Governance Committee Action Log.

6. **Companies Audited Financial Statements, External Audit Findings and Action Plan 2022/2023** (Pages 15 - 96)

The purpose of this report is to present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2022/23.

7. **Update on the Governance arrangements of the Dedicated Schools Grant Management Plan 2024/25 to 2030/31** (Pages 97 - 108)

To receive an update on Strategic Risk 04 - Dedicated Schools Grant Deficit.

8. **Annual Governance Statement 2022-23 Actions - Progress Update (report to follow)**

To receive an update on the progress of actions identified for Significant Governance Issues in the Annual Governance Statement 2022/23.

9. **Internal Audit Update - Progress against Internal Audit Plan Q3/Q4 2023-24 (report to follow)**

To consider the report which provides an update on work undertaken by Internal Audit between October 2023 and March 2024.

10. **Work Programme** (Pages 109 - 112)

To consider the Work Programme and determine any required amendments.

11. **Risk Management Q3 2023-24** (Pages 113 - 172)

To consider the report which provides an update on risk management activity during Quarter 3 2023/24.

12. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded. The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

13. **Risk Management Q3 2023-24** (Pages 173 - 182)

To consider part of the Strategic Risk Register report relating to Ansa (Appendix B).

Membership: Councillors B Drake, S Adams, M Beanland (Chair), K Edwards (Vice-Chair), A Heler, C Hilliard, G Marshall, P Redstone, J Snowball, Mr R Jones and Mrs J Clark.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 7th March, 2024 in the Committee Suite 1,2 & 3,
Westfields, Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor M Beanland (Chair)
Councillor K Edwards (Vice-Chair)

Councillors S Adams, R Bailey, A Heler, C Hilliard, G Marshall, P Redstone and J Snowball, Mr R Jones and Mrs J Clark.

OFFICERS IN ATTENDANCE

David Brown, Director of Governance and Compliance
Alex Thompson, Director of Finance and Customer Services
Michael Todd, Acting Internal Audit Manager
David Malcolm, Head of Planning
Samantha Oakden, Principal Accountant
Nikki Bishop, Democratic Services Officer

11 **APOLOGIES FOR ABSENCE**

There were no apologies for absence.

12 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

13 **MINUTES OF PREVIOUS MEETING**

Mr Ron Jones requested that an item be added to the committee action log, as discussed at the previous meeting, for good practice briefing notes to be developed for the committees use.

RESOLVED:

That the minutes of the meeting held on Thursday 7 December 2023 be approved as a correct record and signed by the Chair.

14 **PUBLIC SPEAKING TIME/OPEN SESSION**

Ms D Jamieson spoke in relation to the minutes of the previous meeting (land transactions internal audit investigation report). Ms Jamieson asked the committee a number of questions, summarised below:

1) Did the committee receive the internal audit land transactions report, and were any comments subsequently raised with officers.
2) Did the committee consider it necessary to review the process by which members of the public raised concerns with the council in relation to facts presented during asset disposal decisions that did not involve pre-determined individuals.
3) Did the committee acknowledge the process of acting up arrangements across the senior management team and the potential conflict this had.

In response, the Chair confirmed that the committee had received the internal briefing report and that no queries had been raised by Members as a result. It was highlighted that any member of public could attend a meeting of the Audit and Governance Committee to bring matters of concern forward. The Chair stated that scrutiny of decision-making was a role for individual committees and that acting up arrangements were in line with the requirements of the Constitution. It was noted that those officers acting up were not responsible for reviewing decisions made in their previous role, prior to acting up. It was clarified that the internal audit review considered all of the points raised by Ms Jamieson and that the report was considered by the Chief Executive and Monitoring Officer.

15 **ACTION LOG UPDATE**

The committee reviewed the action log, the following updates were provided:

Cost of Member Enquiries and Complaints
The Monitoring Officer confirmed that this overdue action would be followed up as a matter of urgency, with a written response being circulated prior to the next committee meeting.

External Auditors – Audit Progress Report
It was confirmed that the issues raised at the December 2023 meeting would be picked up in the meeting, under the External Audit Findings and Action Plan 2022-23 report.

Committee Skills Audit
It was confirmed that work was underway to review the skills audit material and that an update would be circulated to the committee prior to the next meeting. The committee requested that consideration be given to how more permanent and ongoing training materials could be provided for committee members to refer back to.

16 **EXTERNAL AUDIT FINDINGS AND ACTION PLAN 2022/23**

The committee considered the Audit Completion report, presented by the council’s external auditors, Mazars, covering the period 2022-23. The report identified key issues considered by Mazars prior to issuing their opinion on the Council's financial statements and its arrangements for securing economy efficiency and effectiveness in the use of resources.

The committee queried the progress of the B4B system since its introduction to the council, including assurance of the control measures in place. Members were particularly interested to know the income generated from schools. Officers committed to providing a written response.

A written response from ICT colleagues was requested in relation to the control measures in place for those staff leaving the authority to ensure access to systems was removed promptly.

Mazars stated that the final Statement of Accounts would be published at the end of March/early April, alongside the Value for Money report. It was also confirmed that Mazars would handover its external auditor responsibilities to Ernst and Young for the 2023-24 audit period and that the handover procedure had commenced.

RESOLVED (unanimously):

That the Audit and Governance Committee

1. Receive the Audit Completion Report for the year ending 31 March 2023.

2. Delegate authority to the S151 Officer to:
    a. Sign off the Statement of Accounts for 2022-23, once the audit had concluded, and;
    b. Notify the Audit and Governance Committee of the final signed Accounts being published on the council website.

17 **CERTIFICATION OF HOUSING BENEFIT SUBSIDY CLAIM 2022/23 AND TEACHERS PENSIONS RETURN 2021/22**

The committee considered the report which provided an update on the outcome of the external auditors' process for the 2022-23 Housing Benefit Subsidy claim and the 2021-22 Teachers' Pension End of Year certificate.

RESOLVED:

That the Audit and Governance Committee

1. Note that, as a result of the audit testing of the 2022/23 Housing Benefit Subsidy claim, no errors or exemptions were found and no recommendations for improvements were made to the DWP.

2. Note that following the audit of the 2021/22 Teachers' Pension End of Year Certificate, one minor finding was reported to management.

18 **RISK MANAGEMENT UPDATE Q2 2023-24**

The committee considered the Q2 2023-24 risk management report which updated members on the effectiveness of risk management arrangements across the council. Members queried the timing of reports and noted that the Corporate Policy Committee would consider the Q3 2023-24 report at its next meeting in March, and that a link to this paper would be circulated to the committee once published.

The committee raised questions in relation to the following strategic risks:

- SR12: Stakeholder expectation and communication. The committee requested a written response providing more detail on this risk. The committee agreed that this was an important risk to investigate further to ensure the council met the needs and expectations of stakeholders.
- SR09 – Members acknowledged that there were a number of acting up arrangements in place across the council and sought further assurance on this.
- The committee suggested that the Risk Officer be present at future meetings where risk would be discussed. Officers agreed to extend the invitation for future meetings however highlighted that the committee would need to indicate which risks they wished to explore further to ensure the appropriate risk owner was also invited.
- SR4 – the committee agreed that DSG presented a major risk to the authority's finances and requested that officers from children and families be invited to the May 2024 Audit and Governance Committee meeting to provide assurance on the internal control plans introduced via a verbal update.

RESOLVED:

That the Audit and Governance Committee note the report and update provided.

19 **DRAFT INTERNAL AUDIT PLAN 2024/25**

The committee considered the Internal Audit Plan for 2024/25.

Councillor Liz Wardlaw addressed the committee as a visiting member. Cllr Wardlaw referred to point 5.3 within the draft plan which stated that a key theme within the 2024-25 Internal Audit Plan included assurance on the effective and efficient use of resources in key areas of service delivery to residents to support the council in managing the current financial situation. Cllr Wardlaw stated that a the most significant resource for the council was staff and referred to some of the recent statistics arising from the latest staff Pulse Survey. Cllr Wardlaw asked that the Audit and

Governance Committee take on the role of overseeing and scrutinising staffing matters.

The committee requested that the Head of HR attend the next Audit and Governance Committee to provide a full briefing on the HR function and to allow the committee to identify areas where they should seek assurance on the oversight of staffing matters, It was suggested that recruitment, retention and the procedure of exit interviews and how the key themes arising were recorded.

RESOLVED (unanimously):

That the Audit and Governance Committee

1. Approve the Internal Audit Plan 2024/25.

2. Note that the plan details priority work during quarters 1 and 2 along with additional areas for consideration during quarters 3 and 4. Progress against the plan and the priorities for the last 6 months of 2024/25 will be reported back as part of the regular updates to the Committee.

20 **FINAL ANNUAL GOVERNANCE STATEMENT 2022/23**

The committee considered the proposed final Annual Governance Statement (AGS) 2022/23 for signature by the Leader of the Council and the Chief Executive. Once approved and signed, the AGS would accompany the Statement of Accounts and be published on the Council's website.

It was proposed that the significant governance issue relating to the safeguarding children's partnership be removed from future statements as a result of DfE confirmation of systems and processes being in place to protect children and JTAI monitoring being stepped down.

The committee highlighted that the CIPFA review recommended that committee members be given the opportunity to input into the preparation of the Annual Governance Statement. Officers agreed to take this recommendation into consideration once the preparation for the 2023-24 AGS began.

RESOLVED (by majority, 4 in favour, 1 against, 4 abstentions)

That the Audit and Governance Committee approve the Annual Governance Statement 2022-23.

Councillor Rachel Bailey voted against this recommendation.

RESOLVED (unanimously)

That the Audit and Governance Committee agree the proposed removal of the Cheshire East Safeguarding Children's Partnership significant issue from future Annual Governance Statements.

21 **SECTION 106 - AUDIT REVIEW UPDATE**

It was proposed, seconded and subsequently carried that the press and public be excluded from the meeting for this agenda item, pursuant to Paragraph 3, Part 1 of Schedule 12A of the Local Government Act 1972 on the grounds that it involved the likely disclosure of exempt information.

The committee received a verbal update on the Internal Audit Review – Section 106.

22 **WORK PROGRAMME**

The committee considered the Work Programme. The following was agreed:

- Internal Audit review timeline and recommendations for S106 to be updated and scheduled for the July 2024 Audit and Governance Committee meeting.
- Risk Management Update Q3 2023-24 to be added to the Work Programme for May 2024.
- DSG – appropriate officer from Children and Families to attend the May committee meeting to provide a verbal briefing on internal controls and risk SR04.
- Assurance update from HR relating to Strategic Risks Leadership Capacity S07 and Recruitment & Retention S09 to be scheduled for the May committee meeting.

The meeting commenced at 10.00 am and concluded at 2.06 pm

Councillor M Beanland (Chair)

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Audit and Governance Committee - Action Log

Committee Date	Report Title	Action	Lead Officer	Update on Progress	Status
7 December 2023	Action Log – Costs of Member enquiries and complaints	Monitoring Officer to send a written response to the Committee.	Director of Governance and Compliance (Monitoring Officer)	Completed: response circulated to committee on 22 April 2024.	GREEN
	Work Programme	Officers to review and progress the proposals for the following items to be added to the Committee Work Programme: o Skills Audit	Head of Audit and Risk Management	Update: Skills Audit questionnaire prepared and due to be circulated to Committee prior to 30 May Committee Meeting.	AMBER
	External Audit Progress Report	Training Session to be organised for the Committee with Mazars in attendance to develop the Committee's understanding of the role of the external auditors.	Head of Audit and Risk Management		RED
7 March 2024	Minutes of the previous meeting	Mr Ron Jones requested that the following be added to the action log, for further consideration: - Good Practice Briefing Notes to be developed for the Committee to utilise. - How the committee could 'self-assess' following each meeting.	Head of Audit and Risk Management / Internal Audit Manager		RED

7 March 2024	Action Log Update	The committee requested that consideration be given to how more permanent and ongoing training materials could be provided for committee members to refer back to.	Internal Audit Manager / Head of Audit and Risk Management	Completed: training materials uploaded to Cllr Hub/the Learning Lounge.	GREEN
	External Audit Findings	The committee queried the progress of the B4B system since its introduction to the council, including assurance of the control measures in place. Members were particularly interested to know the income generated from schools. Officers committed to providing a written response. A written response from ICT colleagues was requested in relation to the control measures in place for those staff leaving the authority to ensure access to systems was removed promptly.	S151 Officer ICT	Completed: detailed response circulated to committee on 17 May 2024.	GREEN
	Risk Management Update	SR12: Stakeholder expectation and communication. The committee requested a written response providing more detail on this risk. The committee agreed that this was an important risk to investigate further to ensure the council met the needs and expectations of stakeholders.	Internal Audit Manager	8/3/23: Corporate Policy Committee papers circulated to committee.	GREEN
	Internal Audit Plan	The committee requested that the Head of HR attend the next Audit and Governance Committee to provide a full briefing on the HR function and to allow the committee to identify	Democratic Services	18/3/24: Item added to the Committee Work Programme (verbal update under the action log update) for May 2024.	GREEN

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		areas where they should seek assurance on the oversight of staffing matters, It was suggested that recruitment, retention and the procedure of exit interviews and how the key themes arising were recorded.			
7 March 2024	Work Programme	Risk Management Update Q3 2023-24 to be added to the Work Programme for May 2024 DSG – appropriate officer from Children and Families to attend the May committee meeting to provide a verbal briefing on internal controls and risk SR04.	Internal Audit Manager Deborah Woodcock	18/03/24: Risk Management Update Q3 (AG/08/24-25) and Update on Dedicated Schools Grant Deficit (AG/07/24-25) added to the Work Programme for May 2024.	GREEN
	Work Programme	Internal Audit review timeline and recommendations for S106 to be updated and scheduled for the July 2024 Audit and Governance Committee meeting	Internal Audit Manager	18/03/24: item added to the Work Programme for 29 July 2024 (AG/09/24-25).	GREEN

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Cheshire East Council

OPEN

Audit & Governance Committee

30 May 2024

Companies Audited Financial Statements, External Audit Findings and Action Plan 2022/2023

Report of: Director of Finance and Customer Services

Report Reference No: AG/14/24-25

Ward(s) Affected: (All Wards)

Purpose of Report

1 The purpose of this report is to:

- present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2022/23.
- provide a summary of findings from the Group of Companies' external audit for 2022/23. It identifies the key issues that have been considered by Grant Thornton before issuing their opinion on the single entity Company financial statements. The individual company Audit Finding Reports are appended to this paper along with a summary in Appendix A.

2 The report contributes to the Council's objective of being an open and enabling organisation.

Executive Summary

3 The Audit Finding Reports by Grant Thornton, the Group of Companies external auditors summaries the findings of the 2022/23 Audit Report and are appended to the paper.

4 The auditors have provided an unqualified opinion on the accounts of both companies.

5 The reports identify the key issues that have been considered by Grant Thornton before issuing their opinion on the single entity financial statements for Ansa Environmental Services Limited and Orbitas, Bereavement Services Limited.

6 As a result of the audit work any subsequent findings there have been no material changes to the Statements of Accounts for 2022/23 since the Summary Accounts were presented to the Audit & Governance Committee on 8th June 2023 and published in summary form on the Company websites on 31st May 2023. The overall figures in the main financial statements have remained the same.

7 The respective Company Boards are responsible for approval and signing of the single entity Financial Statements for 2022/23. The Ansa and Orbitas Boards signed off the Financial Statements on the 27th March 2024 and 22nd December 2023 respectively.

8 Following sign off, the signed financial statements were filed and published at Companies House.

RECOMMENDATIONS

The Audit & Governance Committee is recommended to:

1. Note the Audit Findings Reports for each Council owned company for the year ending 31 March 2023.

Background

9 The auditors are responsible for giving an opinion on:

- Whether the accounts give a true and fair view of the financial position of the Company as at 31 March 2023;
- Whether they have been prepared properly in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- Whether they have been prepared in accordance with the requirements of the Companies Act 2006.

10 The findings in relation to these areas are set out in each appended Audit Findings Reports – See Appendix B and C.

11 As the Company's appointed auditors, representatives of Grant Thornton attended the respective Company Board meetings for Orbitas

- on 20th November 2023 and Ansa (Audit Committee) - 13th November 2023 to report their findings directly to the Company Directors. A summary of findings is provided in Appendix A.

12 Paragraph 8.3 of each Company Shareholder Agreement stipulates that each Company is required to report its Annual Accounts and Audit report at its AGM to which the Shareholder is invited. Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd have not held an AGM since 2020 when the requirement was waived by the then Director of Place. It is understood that the new Shareholder Agreement includes the reinstatement of this requirement, is yet to be signed off and enacted. Prior to the waiver, the Shareholders (CERF and CEBC) declared a proxy vote at the AGM, which is a process recognised under Company Law and put in place by CEC Legal Services.

13 A Cheshire East nominated Shareholder Representative attends the Ansa and Orbitas Board meetings but does not attend the Ansa Audit Committee. The CEC Shareholder Observer attended the Orbitas Board Meeting on 23 November 2023 when Grant Thornton presented their Audit Findings. Tom Shuttleworth (Interim Director Environment and Neighbourhoods) and Paul Goodwin (Head of Finance & Deputy Chief Finance Officer) both attended the Ansa Audit Committee on 13 November 2023 in their capacity as Board Directors.

Consultation and Engagement

14 As companies within the Cheshire East Group, in accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015 the accounts were made available for inspection between 1 June 2023 to 12 July 2023.

15 The Financial Statements for each company for 2022/23 are available on Companies House:

Ansa: https://find-and-update.company-information.service.gov.uk/company/08714767/filing-history

Orbitas: https://find-and-update.company-information.service.gov.uk/company/08747498/filing-history

The full Audit Finding Report for each company provided by Grant Thornton is appended to this covering report.

Reasons for Recommendations

16 The appointed auditors are required to report to those charged with governance. The Audit Findings Reports present findings, conclusions

and recommendations from audit work undertaken relating to the financial year 2022/23.

Other Options Considered

17 Not applicable.

Implications and Comments

Monitoring Officer/Legal

18 There are no legal implications identified.

Section 151 Officer/Finance

18 As covered in the report.

Policy

19 There are no policy implications identified.

Equality, Diversity and Inclusion

20 There are no equality implications identified.

Human Resources

21 There are no human resources implications identified.

Risk Management

22 The audit has been conducted in accordance with International Standards of Auditing (UK) and means the auditors focus on audit risks that have been assessed as resulting in a higher risk of material misstatement.

Rural Communities

23 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

24 There are no direct implications for children and young people.

Public Health

25 There are no direct implications for public health.

Climate Change

26 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Adele Taylor Interim Director of Finance and Customer Services (Section 151 Officer) adele.taylor@cheshireeast.gov.uk
Appendices:	**A** – Summary of Audit Control Findings **B** – The Audit Findings for Ansa Environmental Services Limited **C** - The Audit Findings for Orbitas Bereavement Services Limited
Background Papers:	The following are links to key background documents: Draft Pre-Audited Financial Statements – Wholly Owned Companies 2022/23 and Outturn update 2022/23

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Summary of Findings

Risks identified in our Audit Plan	Commentary
Cash and Bank - ANSA – Cash and bank may have been overstated.	We performed the following: – Obtained and reviewed bank statements for all accounts at year end. – Obtained and reviewed bank reconciliations for every bank account at year end and one month post year end and tested a sample of reconciling items to post year end clearance and supporting documentation. – Obtained confirmation of all account balances direct from the bank. **Auditor commentary** • We have identified 3 transactions that were received in bank pre year end however missed the cut-off for inclusion on the GL. These were not material and therefore no adjustments have been proposed however we have recommended a control finding on page 12 [see internal control findings below]
Litigation and claims - ANSA There is a risk that provisions may be required for possible litigation. In prior years, management disclosed that there is an ongoing Health and Safety investigation in regards to an event that occurred during FY20/21. It is our understanding that a civil claim will be covered by insurance held by the Council. Therefore, it is unlikely that a liability will arise in ANSA as a result of this aspect of any claim.	We performed the following: – We will enquire with management regarding the latest status of the matter and review any correspondence. – We will also liaise with the Company's solicitors Backhouse Jones to obtain their latest view of the matter. – We will review management's disclosures to ensure that these are appropriate and adequate. **Auditor commentary** Management have disclosed a contingent liability within the notes to the financial statements, explaining the status of the investigation as at the reporting date along with an expected timeline to the outcome of the investigation. At this stage, there remains a range of potential outcomes, and it is unclear if ANSA will be prosecuted. We concur with the narrative of this disclosure given our conversations with the Company's solicitors and how the investigation impacts both Ansa and the Council.

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Internal Control Findings by Company

ANSA

Assessment	Issue & Risk	Recommendations
	Cash and bank When testing the bank reconciliations performed at year end, we identified two items that had not been posted in the general ledger but were received in the bank account before year end. We understand this was due to the receipts being received on 31st March in the bank statements but missing the cut-off for being posted to the general ledger.	We recommend a review of bank statements at year end to ensure that transactions are recorded in the correct period. **Management response** For future financial year ends, a live check on the bank account should be conducted on 31/03 so that we can ensure AR receipts are coded before the AP/AR cut off.
	Admin expenses When performing our administrative expense testing we were not able to obtain receipts for all transactions on an employee's company credit card statement.	We recommend that receipts are obtained for all expenses being claimed. **Management response** Staff should be reminded of the requirement to keep receipts and records for all credit card purchases. Staff should be trained, if necessary, on how to do this. Receipts should be readily available to be provided to finance staff upon request. Receipts should be spot-checked on a monthly basis. Instances of non-compliance should be repeatedly reported to line management and escalated to senior management team, if required. Further non-compliance should lead to withdrawal of use of credit card. The Companies are transitioning to the new bank contract with Lloyds where purchase card information is recorded via a streamlined app that requests receipts, coding and relevant approval - new purchase card policy guide has been revised for the new procedures which ensure these control points are highlighted and the purchase card user has to sign this agreement acknowledging their responsibility to provide evidence of transactions.

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	When testing the headcount reported in the financial statements, we were unable to agree it to the supporting report. We also performed a reconciliation of the closing headcount at 31 March 2022 plus starters and minus leavers in the year and we were unable to reconcile this to the reports or financial statements.	We recommend a review is done to ensure these agree to ensure accuracy in the financial statements and accuracy of the headcount reports. **Management response** Monthly reconciliation procedure to ensure that Unit 4 agrees to current active employments. Ensure any people who 'don't show up' are removed from the system. Ensure regular monitoring of the movement in employee numbers from the agreed total as per prior year financial statements. This ensures movement is correctly tracked the figure in the next year statement of accounts reconciles.
	Support for completion of performance obligations For some items in our sample of external revenue it was not possible to review supporting documentation to evidence the completion of the service to which the revenue related.	We recommended that evidence that service obligations have been fulfilled is maintained. We are aware that management are putting controls in place to fulfil this recommendation. However, as it has not been implemented during the time of the audit we have raised it again in FY23.
	Differences between VAT returns and the VAT TB codes We noted during fieldwork that there is a difference between the VAT return balance at year end versus the TB. Per discussions with management this is due to invoices received in April that have a tax point in FY22. These get picked up in the Q4 VAT return because the transaction date is in FY22. However, they aren't picked up in the VAT nominal because they are received after year end (but management have appropriately accrued for the transactions). We don't believe there to be a misstatement, however there is a greater risk of error when performing a reconciliation manually. We note this is relatively unusual when compared to other entities we audit.	We recommended that management seek a system fix to address this matter. We have identified a similar difference in FY23, therefore control recommendation remains.

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ORBITAS

	Differences between VAT returns and the VAT TB codes We noted during fieldwork that there is a difference between the VAT return balance at year end versus the TB. Per discussions with management this is due to invoices received in April that have a tax point in FY22. These get picked up in the Q4 VAT return because the transaction date is in FY22. However, they aren't picked up in the VAT nominal because they are received after year end (but management have appropriately accrued for the transactions). We don't believe there to be a misstatement, however there is a greater risk of error when performing a reconciliation manually. We note this is relatively unusual when compared to other entities we audit.	We recommended that management seek a system fix to address this matter. We have identified a similar difference in FY23, therefore control recommendation remains.

Assessment:

Deficiency – risk of inconsequential misstatement.

Significant deficiency – risk of significant misstatement.

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Grant Thornton

Audit Findings for Ansa Environmental Services Limited

For the year ended 31 March 2023

March 2024 (re-issued from November 2023)

Ansa Environmental Services Limited
Environmental Hub
Cledford Lane
Middlewich
Cheshire
CW10 0JR

March 2024

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Dear Board Members,

Audit Findings for Ansa Environmental Services Limited for the year ended 31 March 2023

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/transparency-report-2022_v08.pdf

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Lowe

Partner
For Grant Thornton UK LLP

Contents

Introduction and status of the audit

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Status of the audit

- Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion.

No matters outstanding

Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures
- Not considered likely to lead to material adjustment or significant change to disclosures

Audit findings

Grant Thornton

Significant risks

Improper revenue recognition

Risk identified

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

We considered the risk to be specific to revenue to external customers and in variations to standard contracts.

Audit procedures performed

We performed the following:

- Reviewed and tested the revenue recognition procedures to ensure compliance with IFRS 15
- Reviewed the key contracts and tested the design and implementation of controls for each significant revenue stream
- Substantively tested a sample of transactions for each material external revenue stream
- Reviewed invoices raised either side of year end to confirm that cut off was correct, and revenue had been recognised in the correct periods

Key observations

No issues identified in the procedures performed.

Significant risks (continued)

Management override of controls

Risk identified

In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.

Audit procedures performed

We performed the following:

- Reviewed accounting estimates, judgements and decisions made by management
- Obtained an understanding of the design and implementation of the Company's internal controls through which journals are initiated, recorded, processed and reported
- Confirmed the completeness of general ledger reports by developing an expected closing trial balance for comparison to the actual closing trial balance
- Our primary testing of journals included identification and substantive testing of journals that pose a heighted risk of material misstatements. These were period end transactions, material post close entries, entries that constitute unusual posting combinations as well as journals that meet defined characteristics
- For our supplementary testing we analysed all remaining entries within the population using our data analytics software, Inflo, to generate a sample based on specific risk criteria, determined by an understanding of the entities undertakings. The sample was then agreed to supporting documentation to confirm the accuracy of amounts posted and understand the business rationale behind each selected transaction.

Key observations

No issues identified in the procedures performed.

Observations in respect of other risks

Risk identified

Completeness of creditors and accruals

There is a risk that creditors and accruals could be understated or not recorded in the correct period.

Audit procedures performed

We performed the following:

- Reviewed significant post year end bank payments to determine whether they related to pre year end transactions and, if so, whether they have been recorded in the correct period
- Reviewed post year end invoices to ensure all items which related to pre year end have been corrected accrued for at the year end

Key observations

No issues identified in the procedures performed.

Risk identified

Cash and bank

Cash and bank may have been overstated.

Audit procedures performed

We performed the following:

- Obtained and reviewed bank statements for all accounts at year end
- Obtained and reviewed bank reconciliations for every bank account at year end and one month post year end, and tested a sample of reconciling items to post year end clearance and supporting documentation
- Obtained confirmation of all account balances direct from the bank

Key observations

We have identified 3 transactions that were received in bank pre year end however missed the cut-off for inclusion on the GL. These were not material and therefore no adjustments have been proposed however we have recommended a control finding on page 12.

Observations in respect of other risks

Risk identified

Litigation and claims

There is a risk that provisions may be required for possible litigation.

In prior years, management disclosed that there is an ongoing Health and Safety investigation in regards to an event that occurred during FY20/21. It is our understanding that a civil claim will be covered by insurance held by the Council. Therefore, it is unlikely that a liability will arise in ANSA as a result of this aspect of any claim.

Audit procedures performed

We performed the following:

- We will enquire with management regarding the latest status of the matter and review any correspondence
- We will also liaise with the Company's solicitors Weightmans to obtain their latest view of the matter
- We will review management's disclosures to ensure that these are appropriate and adequate

Key observations

Management have disclosed a contingent liability within the notes to the financial statements, explaining the status of the investigation as at the reporting date along with an expected timeline to the outcome of the investigation. At this stage, there remains a range of potential outcomes, and it is unclear if ANSA will be prosecuted. We concur with the narrative of this disclosure given our conversations with the Company's solicitors and how the investigation impacts both Ansa and the Council.

Going Concern

Risk identified

The directors are required to assess the suitability of the going concern assumption in their preparation of the financial statements and include suitable disclosures in respect of going concern in the financial statements.

Audit procedures performed

We performed the following:

- Obtained and reviewed management's paper and assessment of going concern (for a period of at least 12 months from the date of approval of the financial statements), and challenged the assumptions used in the budgets and cash flow forecasts, including the associated sensitivity analysis.
- Challenged the key assumptions in the forecasts and the scope of scenario planning undertaken given current social and economic conditions in the UK and wider world.
- Considered the ability of management's historic forecasting accuracy and the extent to which this impacts the forecasts produced.
- Tested the adequacy of the supporting evidence for the budgets and cash flow forecasts, review and perform arithmetical checks and consider the headroom available.
- Reviewed disclosures that management have made in the financial statements in respect of going concern to ensure that all uncertainties and assumptions made by management are adequately disclosed.

Key observations

No issues identified in the procedures performed. We concur with Management’s assessment that the going concern basis of accounting applied is appropriate.

Other findings – internal controls

	Assessment	Issue and risk	Recommendations
1	● (Deficiency)	• When testing the bank reconciliations performed at year end, we identified two items that had not been posted in the general ledger but were received in the bank account before year end. We understand this was due to the receipts being received on 31st March in the bank statements but missing the cut-off for being posted to the general ledger.	• We recommend a review of bank statements at year end to ensure that transactions are recorded in the correct period. **Management response** • For future financial year ends, a live check on the bank account should be conducted on 31/03 so that we can ensure AR receipts are coded before the AP/AR cut off.
2	● (Deficiency)	• When performing our administrative expense testing we were not able to obtain receipts for all transactions on an employee's company credit card statement.	• We recommend that receipts are obtained for all expenses being claimed. **Management response** • Staff should be reminded of the requirement to keep receipts and records for all credit card purchases. Staff should be trained, if necessary, on how to do this. Receipts should be readily available to be provided to finance staff upon request. Receipts should be spot-checked on a monthly basis. Instances of non-compliance should be repeatedly reported to line management and escalated to senior management team, if required. Further non-compliance should lead to withdrawal of use of credit card. The Companies are transitioning to the new bank contract with Lloyds where purchase card information is recorded via a streamlined app that requests receipts, coding and relevant approval - new purchase card policy guide has been revised for the new procedures which ensure these control points are highlighted and the purchase card user has to sign this agreement acknowledging their responsibility to provide evidence of transactions.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment:
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other findings – internal controls

	Assessment	Issue and risk	Recommendations
3	●	• When testing the headcount reported in the financial statements, we were unable to agree it to the supporting report. We also performed a reconciliation of the closing headcount at 31 March 2022 plus starters and minus leavers in the year and we were unable to reconcile this to the reports or financial statements.	• We recommend a review is done to ensure these agree to ensure accuracy in the financial statements and accuracy of the headcount reports. **Management response** • Monthly reconciliation procedure to ensure that Unit 4 agrees to current active employments. Ensure any people who 'don't show up' are removed from the system. Ensure regular monitoring of the movement in employee numbers from the agreed total as per prior year financial statements. This ensures movement is correctly tracked the figure in the next year statement of accounts reconciles.

"The purpose of an audit is for the auditor to express an opinion on the financial statements. Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters being reported are limited to those deficiencies that the auditor has identified during the audit and that the auditor has concluded are of sufficient importance to merit being reported to those charged with governance." (ISA (UK) 265)

Assessment:
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

Other findings – update on internal control findings issued in prior year)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	**Differences between VAT returns and the VAT TB codes** • We noted during fieldwork that there is a difference between the VAT return balance at year end versus the TB. Per discussions with management this is due to invoices received in April that have a tax point in FY22. These get picked up in the Q4 VAT return because the transaction date is in FY22. However, they aren't picked up in the VAT nominal because they are received after year end (but management have appropriately accrued for the transactions). • We don't believe there to be a material misstatement, however there is a greater risk of error when performing a reconciliation manually. • We note this is relatively unusual when compared to other entities we audit.	• We recommended that management seek a system fix to address this matter. We have identified a similar difference in FY23, therefore control recommendation remains.
2	X	**Support for completion of performance obligations** • For some items in our sample of external revenue it was not possible to review supporting documentation to evidence the completion of the service to which the revenue related.	• We recommended that evidence that service obligations have been fulfilled is maintained. We are aware that management are putting controls in place to fulfill this recommendation. Howeveras it has not been implemented during the time of the auditwe have raised it again in FY23.

Assessment:
✓ Action completed
× Not yet addressed

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance.
4	Written representations	• The following specific representations have been requested from Management: • The monies due to Cheshire East Council at year end are payable upon demand and we regularly review this as part of our debt management process. There is also an associated receivable balance due from Cheshire East Council and therefore there is sufficient liquidity to pay any monies owed to Cheshire East Council.
5	Confirmation requests from third parties	• We have obtained confirmations from third parties regarding the year end bank balances.
6	Disclosures	• Our review found no material omissions in the financial statements.

Adjusted misstatements

No adjusted misstatements were identified.

Unadjusted misstatements

Journal reference	Detail	Profit and Loss account Debit	Profit and Loss account Credit	Balance sheet Debit	Balance sheet Credit	Profit effect	Reason for not adjusting
	Profit/(Loss) per final accounts			13,767,000	13,767,000	283,000	
1	Accruals			54,842			
	Cost of sales		54,842			54,842	
	Being the extrapolated error identified in sample testing on cost of sales. Factual error of £12k has been evaluated over full population of cost of sales						Not material
	Potential Profit/(Loss)					**337,842**	

Impact of unadjusted misstatements in the prior year

No unadjusted misstatements were identified.

Independence considerations

Grant Thornton

Independence considerations

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Audit Fees	(£)
Audit of Company	24,586

This fee reconciles to the financial statements. There were no non-audit services.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional insights

ISA (UK) 600 (Revised) Audits of group financial statements (including the work of component auditors)

ISA (UK) 600 R deals with the special considerations that apply to a group audit, including in those circumstances when component auditors are involved.

What is changing?

ISA (UK) 600 R includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019).

The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

When?

ISA (UK) 600 R is effective for audits of group financial statements for periods beginning on or after December 15 2023.

What changes can management expect?

As group management

One of the key changes is the introduction of a proactive risk-based framework for planning and performing group audits. The group engagement team will be required to spend more time at planning with a greater focus on identifying and assessing the risks of material misstatement and planning sufficient and appropriate procedures in response to the assessed risks.

Where applicable, this will include communicating more frequently with component auditors and component management to gain a deeper understanding of component entities to assess possible risk to the group and determine where work is required to be performed, and by whom.

The new and revised requirements include enhanced documentation. This will require more group engagement resource and input from the engagement partner to ensure sufficient quality is achieved.

As group management (cont.)

Where component auditors are involved, there will be greater emphasis on frequent, two-way communication between the group engagement team and component auditor throughout the entire audit process. The group engagement team will be required to include more documentation to demonstrate how the group auditor has sufficiently directed, supervised and reviewed the work of component auditors.

As management of a component within a group audit

Where a component is in scope of a group audit, the component auditor will be involved in all phases of the group audit and provide more frequent two-way communication. The component auditor input will increase in the planning phases of the group audit and information may be required earlier than in previous periods to ensure sufficient and timely review, evaluation and so sufficient documentation can be achieved by the group engagement team.

What do management need to consider in advance of the changes?

With the change to a risk-based framework for planning and performing a group audit, management may see changes in the scope of the group audit, for example, components previously out of scope may be brought into scope for specific targeted areas. Group and component management may find that information is required earlier in the planning process than before.

The group auditor will need to be involved in more discussions with local component management, this could be for both in scope and out of scope components. Group management will need to ensure local component management are aware of such requests and that they are willing to co-operate with the group audit. Group management should notify the group engagement team of any restrictions that may exist as soon they become known.

Future financial reporting changes

FRED 82

The FRC published draft amendments to FRS 102 in its Financial Reporting Exposure Draft 82, in December 2022. The consultation closed in Spring 2023 and a revised version of the standard was expected to be published during Winter 2023. However, the FRC announced in October 2023 that the revised standard would be delayed by a year, meaning that implementation date will be no earlier than for accounting periods starting on or after **1 January 2026**.

The delay is to allow for additional consideration of the consultation responses. FRED 82 introduces IFRS principles to lease accounting and revenue recognition and while this is still expected to feature in the new FRS 102, simplifications are anticipated.

The most significant proposed changes are in relation to revenue recognition and lease accounting, outlined below:

Revenue recognition

The proposed new revenue section brings revenue recognition broadly in line with IFRS 15, 'Revenue from Contracts with Customers', and the 5-step revenue recognition model:

1. Identify the contract with a customer
2. Identify the promises in the contract
3. Determine the transaction price
4. Allocate the transaction price to the promises in the contract
5. Recognise revenue as/when the entity satisfies a promise

The proposed amendment uses slightly different language to IFRS 15, referring to 'promises' rather than 'performance obligations' which may give rise to inconsistencies across reporting frameworks. However, it is expected that these inconsistencies will be removed when the revised standard is published.

FRS 102 currently uses 'risks and rewards' to determine when revenue can be recognised which means that the timing of recognition may be different for each stream of revenue. Under the 5-step model, organisations will have to identify distinct promises in their contracts with customers and then assess whether those promises are distinct in the context of that contract. This new approach could result in changes to the way revenue is recognised, as well as introducing new complexity to the process. For some entities, there could be significant impacts on when revenue can be recognised.

Lease accounting

FRED 82 proposed an on-balance sheet lease accounting model which is based on IFRS 16, 'Leases', with some simplifications. This means that all leases, other than those that are either short-term leases or leases of low-value assets, will be recognised on the balance sheet. From a lessee's perspective, there will be no need to make a distinction between operating and finance leases.

Lessees will recognise a right of use asset and a lease liability. The liability will be accounted for using the effective interest method, meaning that the interest cost (and depreciation of the right-of-use asset) will be recognised in the statement of comprehensive income. FRED 82 proposed two additional types of interest rate that are not included in IFRS 16 that can be used to discount the future lease payments. These are the lessee's obtainable borrowing rate or a gilt rate. However, it is expected that the choice of using a gilt rate will be removed when the amended standard is published.

Summary

A revised standard is expected in the first half of 2024 and although application is delayed until 1 January 2026, organisations should look ahead to prepare for the changes. Organisations should make sure that they find all of their existing lease agreements and make sure that agreements are kept for all new lease arrangements. They should also start to assess existing sales contracts to understand what effect the adoption of the revised standard may have on the timing of revenue recognition.

Environmental, Social and Governance (ESG) reporting

The Financial Reporting Council's (FRC) update to its '2021 Statement of Intent on ESG'*

We draw attention to the FRCs communication News I Financial Reporting Council (frc.org.uk) issued in January 2023 which includes the update ESG Statement of Intent – What's Next (frc.org.uk) as well as the key areas of supervisory focus for 2024/2025.

1. Why are we communicating this to you?

Improving transparency on climate and wider ESG risks and opportunities, and related governance activities and behaviours, is a key priority of the FRC's ESG strategy. Management and Those Charged With Governance should consider the detail of the update, given the prominence placed on this area by the FRC for 2024 and beyond, how it may affect you and the actions that need to be taken.

2. What will the FRC's key areas of focus be in 2024?

The FRC have noted that one of their key areas of focus will be climate related risks, including TCFD disclosures.

They have also noted that their priority sectors are:

- Construction and Materials
- Food Producers
- Gas, Water & Multi-utilities
- Industrial Metals and Mining
- Retail

3. What does the update address?

- Areas where ongoing challenges in ESG reporting remain
- Actions for preparers to produce decision relevant information
- The FRC's plans to engage with the market to ensure that stakeholder needs are met as demand for ESG information continues to evolve

4. What resources relating to ESG reporting and governance do the update include?

To assist in navigating what remains a challenging and evolving reporting landscape, several links are included throughout the update on a wide range of material produced by the FRC.

Note: *The FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. Since then, it has undertaken a significant number of initiatives both in the UK and internationally, to assist and support its wide range of stakeholders and drive best practice in high-quality and comparable ESG reporting and disclosure.

Climate Change – The roles and responsibilities of management

Why do management need to consider climate change?

Climate change is topical for investors and other stakeholders. The effects of climate change are increasingly visible, and it has the potential to impact a growing number of entities of all natures and sizes in various industries. This can be directly or indirectly, eg through their supply chain, customer base, financing, insurance and laws and regulations (both global and local).

This has led to growing demand by stakeholders for climate-related information for decision making. Reporting needs to consider both how a company is considering climate-related impacts on its business, as well as the impact the company has on the environment. This, together with the financial statement impact of climate-related considerations now and in the future, provides a key insight for investors and other stakeholders. It helps to understand the future the company faces, and the future it intends to help bring about.

Management's assessment of the potential impact on the entity's financial statements is an area of focus for the FRC. In the 'Annual Review of Corporate Reporting' published in October 2023, they highlighted detailed findings and expectations on corporate reporting. The full report can be accessed at FRC Annual Review of Corporate Reporting 2022/2023.

One of the expectations that the FRC has from companies in relation to financial statements is ensuring that

- Material climate change risks and uncertainties discussed in narrative reporting have been appropriately considered in the financial statements – both the impact on numbers and narrative disclosures
- Narrative reporting is consistent with the financial statements

We encourage management to stay abreast of developments in this area, as guidance and reporting requirements will continue to evolve in the coming years.

What do management need to consider when thinking about climate change?

We ask management to consider the aspects below and while these considerations are not exhaustive, it will be used as part of our audit procedures.

- The climate reporting requirements, directives, or legislation that the entity is required to comply with. See "Summary – current 'climate-related' reporting requirements for companies reporting in the UK" for further detail
- How management identifies and responds to climate related issues. This will include management's process(es) and controls for identifying and responding to the impact of climate change/ climate related issues and risk assessment of climate change to the business

What is our role when considering climate change?

The auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and report on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework. If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this. This requires consideration of factors presenting a potential risk of material misstatement of the financial statements as a result of climate change. Where risks are identified, auditors need to determine an appropriate audit response to determine if they have a material impact on the financial statements.

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Summary – current ‘climate-related’ reporting requirements for companies reporting in the UK

	Category of company				
	Small private	Medium private	Large private	AIM	Main markets[5]
Directors’ report	✓	✓	✓	✓	✓
• SECR report			✓	If large	✓
• Stakeholder engagement			✓	If large	✓
Strategic report[1]		✓	✓	✓	✓
• s172 statement			✓	✓	✓
• Environmental matters					✓
• Non-financial and sustainability report (‘TCFD aligned’)[2]			> 500 employees and > £500m sales	> 500 employees	> 500 employees
TCFD report					✓[3]
Viability report					✓
Financial statements [4]	✓	✓	✓	✓	✓

Notes

1. Forthcoming (not yet endorsed in the UK but are effective from periods beginning on or after 1 January 2024): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
2. For accounting periods starting on or after 6 April 2022
3. For accounting periods starting on or after 1 Jan 2021 (Premium listed) and 1 Jan 2022 (most standard listed)
4. FRS 102 Factsheet 8 (frc.org.uk) and IFRS standards and climate related disclosures_IASB
5. Main Markets include: LSE Main Market, IPSX, The London Metal Exchange, ICE Futures Europe, Aquis Stock Exchange Limited and Cboe Europe Equities Regulated Market

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (BEIS)

Overview

For financial years starting on or after 6 April 2022, mandatory TCFD-aligned climate disclosure requirements on climate change related risks and opportunities, where these are material, are required. These requirements have been built into the Companies Act.

Entities within scope are:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market and banking companies or insurance companies (Relevant Public Interest Entities (PIEs))
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m
- Traded or banking LLPs which have more than 500 employees

Disclosure requirements

Disclosure requirements include descriptions of governance arrangements, how climate-related risks and opportunities are identified and the actual and potential impacts of the climate-related risks and opportunities identified. This is not an exhaustive list of the requirements.

The requirements can be found in here: The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Further guidance on the application of these requirements can be found here:
Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

Reminder – Streamlined energy and carbon reporting (SECR)

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006. [Refer to the 'Streamlined energy and carbon reporting slide' for more information.]

Financial Conduct Authority (FCA) requirements to make Task Force Climate-related Financial Disclosures (TCFD)

Overview

Premium listed entities have since 2021 been required to include a statement in their annual financial report, setting-out whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Where disclosures have not been made, there must be an explanation of why and a description of any steps they are taking or plan to take to make consistent disclosure in the future.

The Financial Conduct Authority (FCA):

- Extended the application of these requirements to issuers of **standard listed** shares and global depositary receipts representing equity shares (excluding standard listed investment entities and shell companies) via listing rule LR 14.3.27R, which came into force for accounting periods beginning on or after 1 January 2022
- Introduced new TCFD-aligned disclosure rules for **asset managers and certain asset owners**, which came into force for the largest firms on 1 January 2022 and will apply to smaller firms one year later

Entities within scope are:

- Premium listed entities with an accounting periods starting on or after 1 January 2021
- Standard listed entities for accounting periods starting on or after 1 January 2022

Further review

We draw attention to FRC communication News Financial Reporting Council issued in July 2023.

The FRC and Financial Conduct Authority published two reports which found that premium listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, but further improvements are needed. These reports can be found here:

The FRC report FRC Thematic review of climate-related metrics and targets July 2023

The FCA report Review of TCFD-aligned disclosures by premium listed commercial companies | FCA

Included in these reports is a full list of areas where companies will need to raise the quality of their disclosures.

The FRC noted that there have been improvements in the reporting of climate-related metrics and targets but there are still areas for further improvement. These include better linkage to risks and opportunities, more transparency and disclosure of how the impact of announced climate-related targets and transition plans have been considered.

Reminder – BEIS and FCA disclosures

BEIS reporting applies to entities in the scope of the TCFD requirements.

Also note TCFD disclosures are "comply or explain". This is not the case for BEIS requirements.

Reminder – Streamlined energy and carbon reporting (SECR)

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006. [Refer to the 'Streamlined energy and carbon reporting slide' for more information.]

Corporate Sustainability Reporting Directive (CSRD)

Overview

If the group has branches or subsidiaries of a specified size that are trading in EU member states, then those entities will be required to provide extensive sustainability disclosures from 1 January 2025 in the annual reports and accounts of those entities.

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023. Individual EU member states have 18 months from the effective date to incorporate the requirements of the CSRD into their domestic law. While member states cannot deviate from the minimum requirements set out in the CSRD they are able to make a number of elections during this exercise. These include the scoping requirements, the determination of the language that should be used for the sustainability report and permitting assurance to be provided by alternative providers to the statutory auditor.

What are the goals of the corporate sustainability reporting directive?

A key objective of the CSRD is enabling businesses to increase transparency and accountability of their reporting, and give stakeholders insight and guidance through analysis, benchmarking, and auditing. It's also intended to broaden the scope of sustainability management and reporting to include sustainability risks and opportunities. Ultimately, this should encourage businesses to develop a strategy to improve on sustainability.

The disclosure required by the CSRD is extensive. It covers the complete range of sustainability related topics such as climate change, biodiversity, employee working conditions, human rights etc.

Key things to know about the CSRD

Double materiality

Double materiality is fundamental to the new rules. In-scope companies will now have to report on a double materiality basis, identifying sustainability risks and opportunities, and the impact of the company on people and the environment. This means that companies will have to identify both the external impact on society and the environment (impact materiality), as well as the impact on the enterprise value (financial materiality).

Sustainability reporting standards

On 31 July 2023, the European Commission adopted 12 European Sustainability Reporting Standards (ESRS) that underpin the requirements of the CSRD. These standards have become law and will be published in the EU's Official Journal and will apply from 1st January 2024. There is no requirement, unlike the CSRD, for these to be included in the domestic law of EU member states.

Sustainability assurance

The CSRD has a requirement for mandatory assurance for all reported sustainability information. The assurance level commences with 'limited assurance' and over time will increase to 'reasonable assurance' following an assessment as to whether such a level of assurance is feasible for both auditors and entities. This is expected to have been completed by no later than 1 October 2028.

Corporate Sustainability Reporting Directive (CSRD)

Which companies are in scope?

Entities not listed on an EU regulated market within scope are:

- Large EU companies and groups – periods commencing on or after 1 January 2025
- Non-EU headquartered companies – periods commencing on or after 1 January 2028

Size criteria

An EU entity will be a large entity if at least two of the following metrics are exceeded on two consecutive annual balance sheet dates:

- Total assets of €20 million
- Net turnover (revenue) of €40 million
- Average of 250 employees

The same thresholds apply to an EU parent company, including intermediate parent companies, on a consolidated basis. In this case, the group consists of all subsidiary undertakings irrespective of where in the world they are located. It's possible that the EU parent may be exempt from preparing consolidated accounts. However, that exemption does not apply to CSRD reporting.

From 1 January 2028, certain non-EU headquartered companies will be required to publish and make available the ultimate parent entity's sustainability report. This reporting will be based on either 'Non-EU dedicated standards', ESRSs or 'equivalent standards'. It is unclear when the Non-EU dedicated standards will be published for consultation or what sustainability standards, if any, the European Commission will deem to be equivalent.

Non-EU headquartered companies that are in scope of this reporting requirement are those that have at least one EU entity in the group that is in scope of the CSRD or has at least one EU branch that generated net turnover (revenue) of more than €40 million in the prior financial year and consolidated net turnover (revenue) generated in the EU is in excess of €150 million for each of the prior two consecutive financial years.

Recommended action to take

- Identify which entities in the group are in the scope of the CSRD, taking into account any changes made by member states in their domestic laws
- Identify what information is required to be disclosed by the ESRS and determine how any data gaps will be addressed. This includes comparing new disclosure requirements to the current state
- Undertake a double materiality assessment. This may include policies, KPIs, and targets
- Determine what EU taxonomy* disclosures and KPIs will also need to be reported along with the ESRS disclosures

* The EU Taxonomy is a classification system developed by the European Union (EU) to identify and define economic activities that are considered environmentally sustainable.

Streamlined energy and carbon reporting (SECR)

The SECR framework

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006.

Size Limits	Two out of:
Turnover	>£36m
Balance sheet	>£18m
Employees	>250

Large Limited Liability Partnerships (LLPs), which are already required to undertake energy audits under Energy Savings Opportunities Scheme (ESOS) Regulations also fall within scope of the SECR framework. Companies using 40,000kWh or less energy in the 12 month reporting period are exempt. Public organisations, charities or voluntary bodies fall outside this legislation unless they operate as companies or LLPs and are above the relevant reporting thresholds.

The SECR was developed with the intention of making environmental reporting more consistent and to encourage more businesses to realise the benefits of measuring their environmental performance. Measurement is often the first step in reducing energy and other resource consumption and can assist businesses in gaining a better understanding of these increasingly important environmental challenges.

Group reporting

If reporting at the group level, when making energy and carbon disclosures, information of any subsidiaries included in the consolidation must also be taken into account. However, there is the option to exclude any information relating to a subsidiary which the subsidiary would not be obliged to include if reporting on its own accounts.

Furthermore, a subsidiary might not be obliged to include the energy and carbon information in its own accounts and reports, if it is included in the group report of a parent undertaking.

What needs to be in the financial statements?

Disclosure requirements include UK energy usage with comparatives, UK scope 1 and 2 greenhouse gas emissions with comparatives and methodology of how the data has been collated and prepared. This is not an exhaustive list of the requirements.

There are also voluntary Scope 3 greenhouse gas emissions disclosures that are encouraged.

A full list of requirements can be found at Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance

These disclosures need to be made in the directors' report. Where energy usage and carbon emissions are of strategic importance to the company, disclosure may be included in the strategic report instead of the directors' report.

FRC Thematic Review

In September 2021, the FRC published their thematic review on SECR. The key findings from this review is that more needs to be done to make the disclosures understandable and relevant for users:

- Reports did not always provide sufficient information about the methodologies used to calculate the emissions and energy use information
- It was not always clear which entities were included in groups' SECR disclosures
- More thought is needed about how to integrate these disclosures with narrative reporting on climate change, where relevant, and make them easier for users to navigate
- It was sometimes unclear whether the ratios selected were the most appropriate for the entities' operations
- Disclosures about energy efficient measures did not always clearly describe the 'principal measures' taken by the entity in the current year
- The extent of third party assurance obtained over the SECR information was not adequately explained in most cases

The thematic review report provides a number of best practice examples, along with the expectations of the FRC for good SECR disclosures.

Appendices

Delivering audit quality – proven success in regulatory inspections

You are working with a firm who has quality at the heart of their audit culture; a firm with a consistent track record in driving quality; and the first firm ever to have 100% of files reviewed in the highest quality gradings bracket awarded by the Financial Reporting Council (FRC) – for two consecutive years.

Consistently delivering high-quality results

- In 2022, we were the first firm to ever be awarded the highest quality gradings bracket for 100% of files reviewed by the FRC. We're delighted that this is consistent for the 2022-23 findings
- The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality gradings bracket awarded ("Good or limited improvements required"). It also shows the progress of our quality journey, following the enhancements and investments we've made in recent years
- Furthermore, this year's report by the FRC includes findings from the ICAEW's Quality Assurance Department (QAD) where, again, 100% of those reviewed for our firm are in the highest bracket awarded

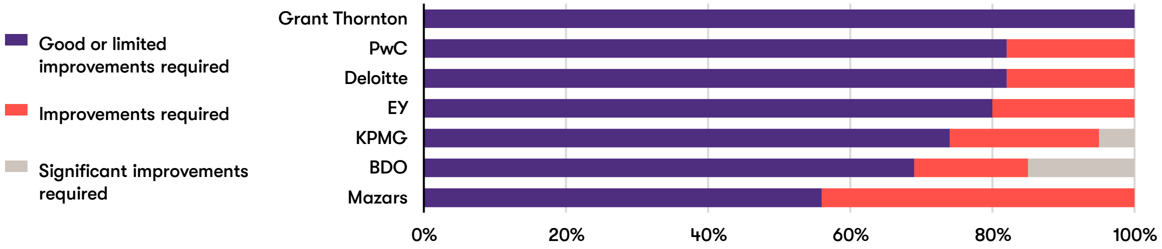
Click here to see the latest annual Audit Quality Inspection for our firm, as published by the regulator, the FRC, on 6 July 2023.

Continued commitment to audit quality

We've established a 2025 audit strategy focussed around further enhancing our audit practice to ensure we continuously deliver high-quality audits through:

- **Creating an environment which allows us to excel in our chosen markets, consistently.** We've structured our audit practice to enable our teams to work across one of three markets (public interest, private capital, or entrepreneurial services), so our people have both the experience and enthusiasm to audit similar businesses
- **Delivering exceptional results in four key areas of Quality, Inclusion & Diversity, Environmental, Social, Governance and People Experience.** Our people and our client relationships are our greatest asset and we've cultivated a strong audit culture
- **Investing in talent, technology and infrastructure.** We continually re-invest in the very best people, technology and infrastructure to instill a mindset of continuous improvement

FRC's Audit Quality Inspection and Supervision Report Findings 2022-23 (%), July 2023



The FRC have introduced 'targeted activity' – extracted directly from the report, the FRC state: "targeted activity: reduce inspection and supervision activity at firms where we have seen sufficient and sustained improvements in audit quality. This enables us to invest resources elsewhere, including at firms where quality improvements have been insufficient". We're delighted that, our firm, as a result, will see fewer inspections in future years.

What has the FRC said about us?

Our firm is immensely proud of the "good practice" areas highlighted by the FRC in our recent inspections, all of which remain integral to ensure we continue to deliver outstanding quality:

- Use of specialists, including at planning phases, to enhance fraud risk assessment
- Effective deployment of data analytical tools, particularly in the audit of revenue
- Robust challenge and effective assessment around capitalisation of costs, and consistency in assumptions used around valuations
- Clear oversight at group level when working with component auditors, including detailed review of working papers and evidencing interactions with component teams

We also welcome the FRC's comments around our own Internal Quality Monitoring process as "good practice" and other areas highlighted around our challenging of accounting around complex areas; holding discussions with those outside the finance team to provide broader audit evidence, and detailed and effective communication to Audit Committees.

Delivering audit quality – Quality Management Approach

Our Quality Management Approach (QMA) is structured around a number of components and is designed to meet the requirements of International Standard on Quality Management (UK) 1 as well as several other standards. The objectives of the QMA are:

- to deliver a risk-based approach to continually improving quality
- for individuals to see quality is more than just basic "tick box" compliance. Quality is at the centre of everything we do and allows us to meet our stakeholder's expectations
- to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:
  - the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements and
  - engagement reports issued by the firm or engagement partners are appropriate in the circumstances
- to establish and maintain a robust monitoring, reporting, root cause and remediation programme
- to ensure the firm is resilient and can identify and respond to changes in the regulatory environment

The components of the QMA have a number of detailed objectives and requirements designed to meet the overall objectives noted above. We identify risks to the achievement of these objectives and requirements and have developed and implemented responses to these risks. Our responses are designed around our:

Underlying structures | Policies | Processes | Controls

The risks identified are rated according to the firm's risk taxonomy and risk rating model.

The QMA has a range of monitoring activities embedded within it but is also subject to a detailed review and testing process on an annual basis. The QMA provides consistency in the quality of our audits through the breadth and depth of our responses to quality risks.

Our quality components are outlined below

Culture – We create a culture where quality is embedded in everything people do.

Leadership and governance – We behave ethically and meet the expectations of our regulators and society.

People – We recruit, develop and nurture people from all backgrounds. We ensure they have the skills, ability, confidence and enthusiasm to deliver quality work across the business.

Risk assessment, mitigation and resilience – We manage risk and build our resilience to support the firm's strategy and deliver quality in all our work.

Operating environment and new initiatives – We monitor our operating environment for changes impacting quality. We consider quality, risk and legal requirements for new initiatives, including digital solutions, services and market offerings.

Reputation – We behave ethically and meet the expectations of our regulators and society.

Technology and data – We have a digital mindset. We manage our information and records to protect confidentially, maintain their integrity, ensure accessibility and support work done.

Take On – We only accept and continue work with clients aligned to our purpose, where we can deliver quality and only once all legal, commercial and ethical requirements have been met.

Delivery – We provide clear and easy to understand policies and procedures to guide and support our people to deliver quality assignments. We challenge each other, prior to providing assignment delivery, to ensure our work meets our high-quality standards.

Monitoring, reporting and root cause analysis – We monitor processes and controls on an ongoing basis. Reporting and root cause analysis allow us to take appropriate actions to address issues and focus on continuous quality improvement.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

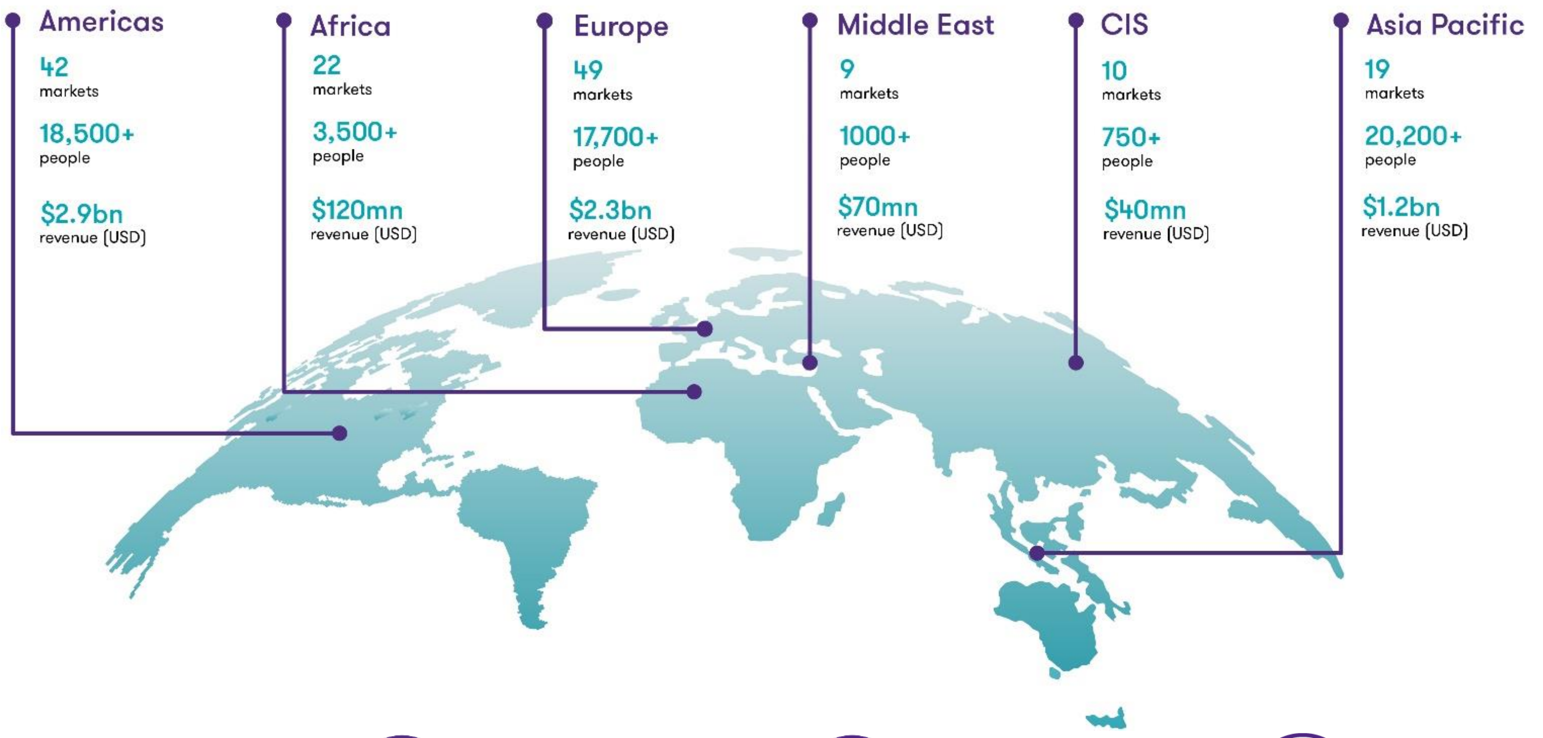
Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Grant Thornton at a glance

We are the UK member firm of a global network that employs 62,000 people in 140 countries. We combine global scale with local insight and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions.

We go beyond business as usual, so you can too. We make business more personal by investing in building relationships.

Whether you're growing in one market or many, you consistently get a great service you can trust. We work at a pace that matters – yours – bringing both flexibility and rigour. We celebrate fresh thinking and diverse perspectives to bring you proactive insights and positive progress.



27
UK offices

200+
Partners

5,000
UK employees

£570m
Turnover

No.1
Independent nominated adviser of AiM

6th
Largest auditor – FTSE 350

6th
Largest auditor – UK's top privately-held companies

51%
FTSE 100 are non-audit clients

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Grant Thornton

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Audit Findings for Orbitas Bereavement Services Limited

For the year ended 31 March 2023

March 2024 (re-issued from November 2023)

Orbitas Bereavement Services Limited
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CW10 0JR

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Landmark
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March 2024

Dear Board Members,

Audit Findings for Orbitas Bereavement Services Limited for the year ended 31 March 2023

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/transparency-report-2022_v08.pdf

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Michael Lowe

Partner
For Grant Thornton UK LLP

Contents

Introduction and status of the audit

Introduction and status of the audit

Status of the audit

- Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion.

No matters outstanding

Status:
- Significant elements outstanding – high risk of material adjustment or significant change to disclosures
- Some elements outstanding – moderate risk of material adjustment or significant change to disclosures
- Not considered likely to lead to material adjustment or significant change to disclosures

Audit findings

Grant Thornton

Significant risks

Improper revenue recognition

Risk identified

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

We considered the risk to be specific to revenue to external customers and in variations to standard contracts.

Audit procedures performed

We performed the following:

- Reviewed and tested the revenue recognition procedures to ensure compliance with IFRS 15
- Reviewed the key contracts and tested the design and implementation of controls for each significant revenue stream
- Substantively tested a sample of transactions for each material external revenue stream
- Reviewed invoices raised either side of year end to confirm that cut off was correct, and revenue had been recognised in the correct periods

Key observations

No issues identified in the procedures performed.

Significant risks (continued)
Management override of controls

Risk identified

In accordance with ISA (UK) 240, we have identified a risk of fraud in respect of management override of controls.

Audit procedures performed

We performed the following:

- Reviewed accounting estimates, judgements and decisions made by management
- Obtained an understanding of the design and implementation of the Company's internal controls through which journals are initiated, recorded, processed and reported
- Confirmed the completeness of general ledger reports by developing an expected closing trial balance for comparison to the actual closing trial balance
- Our primary testing of journals included identification and substantive testing of journals that pose a heighted risk of material misstatements. These were period end transactions, material post close entries, entries that constitute unusual posting combinations as well as journals that meet defined characteristics
- For our supplementary testing we analysed all remaining entries within the population using our data analytics software, Inflo, to generate a sample based on specific risk criteria, determined by an understanding of the entities undertakings. The sample was then agreed to supporting documentation to confirm the accuracy of amounts posted and understand the business rationale behind each selected transaction.

Key observations

No issues identified in the procedures performed.

Observations in respect of other risks

Risk identified

Completeness of creditors and accruals

There is a risk that creditors and accruals could be understated or not recorded in the correct period.

Audit procedures performed

We performed the following:

- Reviewed significant post year end bank payments to determine whether they related to pre year end transactions and, if so, whether they have been recorded in the correct period
- Reviewed post year end invoices to ensure all items which related to pre year end have been corrected accrued for at the year end

Key observations

No issues identified in the procedures performed.

Risk identified

Cash and bank

Cash and bank may have been overstated.

Audit procedures performed

We performed the following:

- Obtained and reviewed bank statements for all accounts at year end
- Obtained and reviewed bank reconciliations for every bank account at year end and one month post year end, and tested a sample of reconciling items to post year end clearance and supporting documentation
- Obtained confirmation of all account balances direct from the bank

Key observations

No issues identified in the procedures performed.

Going Concern

Risk identified

The directors are required to assess the suitability of the going concern assumption in their preparation of the financial statements and include suitable disclosures in respect of going concern in the financial statements.

Audit procedures performed

We performed the following:

- Obtained and reviewed management's paper and assessment of going concern (for a period of at least 12 months from the date of approval of the financial statements), and challenged the assumptions used in the budgets and cash flow forecasts, including the associated sensitivity analysis.
- Challenged the key assumptions in the forecasts and the scope of scenario planning undertaken given current social and economic conditions in the UK and wider world.
- Considered the ability of management's historic forecasting accuracy and the extent to which this impacts the forecasts produced.
- Tested the adequacy of the supporting evidence for the budgets and cash flow forecasts, review and perform arithmetical checks and consider the headroom available.
- Reviewed disclosures that management have made in the financial statements in respect of going concern to ensure that all uncertainties and assumptions made by management are adequately disclosed.

Key observations

No issues identified in the procedures performed. We concur with Management’s assessment that the going concern basis of accounting applied is appropriate.

Other findings – update on internal control findings issued in prior year)

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	**Differences between VAT returns and the VAT TB codes** • We noted during fieldwork that there is a difference between the VAT return balance at year end versus the TB. Per discussions with management this is due to invoices received in April that have a tax point in FY22. These get picked up in the Q4 VAT return because the transaction date is in FY22. However, they aren't picked up in the VAT nominal because they are received after year end (but management have appropriately accrued for the transactions). • We don't believe there to be a material misstatement, however there is a greater risk of error when performing a reconciliation manually. • We note this is relatively unusual when compared to other entities we audit.	• We recommended that management seek a system fix to address this matter. We have identified a similar difference in FY23, therefore control recommendation remains.

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Assessment:
✓ Action completed
× Not yet addressed

Other communication requirements

	Issue	Commentary
1	Matters in relation to fraud	• We have previously discussed the risk of fraud with the Board. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2	Matters in relation to related parties	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	Matters in relation to laws and regulations	• We are not aware of any significant incidences of non-compliance.
4	Written representations	• The following specific representations have been requested from Management: • The monies due to Cheshire East Council at year end are payable upon demand and we regularly review this as part of our debt management process. There is also an associated receivable balance due from Cheshire East Council and therefore there is sufficient liquidity to pay any monies owed to Cheshire East Council.
5	Confirmation requests from third parties	• We have obtained confirmations from third parties regarding the year end bank balances.
6	Disclosures	• Our review found no material omissions in the financial statements.

Adjusted misstatements

No adjusted misstatements were identified.

Unadjusted misstatements

		Profit and Loss account		Balance sheet			
Journal reference	Detail	Debit	Credit	Debit	Credit	Profit effect	Reason for not adjusting
	Profit/(Loss) per final accounts			978,000	978,000	73,000	
1	VAT Creditor				5,662		
	Profit and loss	5,662				(5,662)	
	Being the difference between the VAT return and the General Ledger (GL)						Not material
	Potential Profit/(Loss)					**67,388**	

Impact of unadjusted misstatements in the prior year

No unadjusted misstatements were identified.

Independence considerations

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Independence considerations

As part of our assessment of our independence at planning we note the following matters:

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Audit Fees	(£)
Audit of Company	14,626

This fee reconciles to the financial statements. There were no non-audit services.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Additional insights

ISA (UK) 600 (Revised) Audits of group financial statements (including the work of component auditors)

ISA (UK) 600 R deals with the special considerations that apply to a group audit, including in those circumstances when component auditors are involved.

What is changing?

ISA (UK) 600 R includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019).

The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

When?

ISA (UK) 600 R is effective for audits of group financial statements for periods beginning on or after December 15 2023.

What changes can management expect?

As group management

One of the key changes is the introduction of a proactive risk-based framework for planning and performing group audits. The group engagement team will be required to spend more time at planning with a greater focus on identifying and assessing the risks of material misstatement and planning sufficient and appropriate procedures in response to the assessed risks.

Where applicable, this will include communicating more frequently with component auditors and component management to gain a deeper understanding of component entities to assess possible risk to the group and determine where work is required to be performed, and by whom.

The new and revised requirements include enhanced documentation. This will require more group engagement resource and input from the engagement partner to ensure sufficient quality is achieved.

As group management (cont.)

Where component auditors are involved, there will be greater emphasis on frequent, two-way communication between the group engagement team and component auditor throughout the entire audit process. The group engagement team will be required to include more documentation to demonstrate how the group auditor has sufficiently directed, supervised and reviewed the work of component auditors.

As management of a component within a group audit

Where a component is in scope of a group audit, the component auditor will be involved in all phases of the group audit and provide more frequent two-way communication. The component auditor input will increase in the planning phases of the group audit and information may be required earlier than in previous periods to ensure sufficient and timely review, evaluation and so sufficient documentation can be achieved by the group engagement team.

What do management need to consider in advance of the changes?

With the change to a risk-based framework for planning and performing a group audit, management may see changes in the scope of the group audit, for example, components previously out of scope may be brought into scope for specific targeted areas. Group and component management may find that information is required earlier in the planning process than before.

The group auditor will need to be involved in more discussions with local component management, this could be for both in scope and out of scope components. Group management will need to ensure local component management are aware of such requests and that they are willing to co-operate with the group audit. Group management should notify the group engagement team of any restrictions that may exist as soon they become known.

Future financial reporting changes

FRED 82

The FRC published draft amendments to FRS 102 in its Financial Reporting Exposure Draft 82, in December 2022. The consultation closed in Spring 2023 and a revised version of the standard was expected to be published during Winter 2023. However, the FRC announced in October 2023 that the revised standard would be delayed by a year, meaning that implementation date will be no earlier than for accounting periods starting on or after **1 January 2026**.

The delay is to allow for additional consideration of the consultation responses. FRED 82 introduces IFRS principles to lease accounting and revenue recognition and while this is still expected to feature in the new FRS 102, simplifications are anticipated.

The most significant proposed changes are in relation to revenue recognition and lease accounting, outlined below:

Revenue recognition

The proposed new revenue section brings revenue recognition broadly in line with IFRS 15, 'Revenue from Contracts with Customers', and the 5-step revenue recognition model:

1. Identify the contract with a customer
2. Identify the promises in the contract
3. Determine the transaction price
4. Allocate the transaction price to the promises in the contract
5. Recognise revenue as/when the entity satisfies a promise

The proposed amendment uses slightly different language to IFRS 15, referring to 'promises' rather than 'performance obligations' which may give rise to inconsistencies across reporting frameworks. However, it is expected that these inconsistencies will be removed when the revised standard is published.

FRS 102 currently uses 'risks and rewards' to determine when revenue can be recognised which means that the timing of recognition may be different for each stream of revenue. Under the 5-step model, organisations will have to identify distinct promises in their contracts with customers and then assess whether those promises are distinct in the context of that contract. This new approach could result in changes to the way revenue is recognised, as well as introducing new complexity to the process. For some entities, there could be significant impacts on when revenue can be recognised.

Lease accounting

FRED 82 proposed an on-balance sheet lease accounting model which is based on IFRS 16, 'Leases', with some simplifications. This means that all leases, other than those that are either short-term leases or leases of low-value assets, will be recognised on the balance sheet. From a lessee's perspective, there will be no need to make a distinction between operating and finance leases.

Lessees will recognise a right of use asset and a lease liability. The liability will be accounted for using the effective interest method, meaning that the interest cost (and depreciation of the right-of-use asset) will be recognised in the statement of comprehensive income. FRED 82 proposed two additional types of interest rate that are not included in IFRS 16 that can be used to discount the future lease payments. These are the lessee's obtainable borrowing rate or a gilt rate. However, it is expected that the choice of using a gilt rate will be removed when the amended standard is published.

Summary

A revised standard is expected in the first half of 2024 and although application is delayed until 1 January 2026, organisations should look ahead to prepare for the changes. Organisations should make sure that they find all of their existing lease agreements and make sure that agreements are kept for all new lease arrangements. They should also start to assess existing sales contracts to understand what effect the adoption of the revised standard may have on the timing of revenue recognition.

Environmental, Social and Governance (ESG) reporting

The Financial Reporting Council's (FRC) update to its '2021 Statement of Intent on ESG'*

We draw attention to the FRCs communication News I Financial Reporting Council (frc.org.uk) issued in January 2023 which includes the update ESG Statement of Intent – What's Next (frc.org.uk) as well as the key areas of supervisory focus for 2024/2025.

1. Why are we communicating this to you?

Improving transparency on climate and wider ESG risks and opportunities, and related governance activities and behaviours, is a key priority of the FRC's ESG strategy. Management and Those Charged With Governance should consider the detail of the update, given the prominence placed on this area by the FRC for 2024 and beyond, how it may affect you and the actions that need to be taken.

2. What will the FRC's key areas of focus be in 2024?

The FRC have noted that one of their key areas of focus will be climate related risks, including TCFD disclosures.

They have also noted that their priority sectors are:

- Construction and Materials
- Food Producers
- Gas, Water & Multi-utilities
- Industrial Metals and Mining
- Retail

3. What does the update address?

- Areas where ongoing challenges in ESG reporting remain
- Actions for preparers to produce decision relevant information
- The FRC's plans to engage with the market to ensure that stakeholder needs are met as demand for ESG information continues to evolve

4. What resources relating to ESG reporting and governance do the update include?

To assist in navigating what remains a challenging and evolving reporting landscape, several links are included throughout the update on a wide range of material produced by the FRC.

Note: *The FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision and regulation of ESG information. Since then, it has undertaken a significant number of initiatives both in the UK and internationally, to assist and support its wide range of stakeholders and drive best practice in high-quality and comparable ESG reporting and disclosure.

Climate Change – The roles and responsibilities of management

Why do management need to consider climate change?

Climate change is topical for investors and other stakeholders. The effects of climate change are increasingly visible, and it has the potential to impact a growing number of entities of all natures and sizes in various industries. This can be directly or indirectly, eg through their supply chain, customer base, financing, insurance and laws and regulations (both global and local).

This has led to growing demand by stakeholders for climate-related information for decision making. Reporting needs to consider both how a company is considering climate-related impacts on its business, as well as the impact the company has on the environment. This, together with the financial statement impact of climate-related considerations now and in the future, provides a key insight for investors and other stakeholders. It helps to understand the future the company faces, and the future it intends to help bring about.

Management's assessment of the potential impact on the entity's financial statements is an area of focus for the FRC. In the 'Annual Review of Corporate Reporting' published in October 2023, they highlighted detailed findings and expectations on corporate reporting. The full report can be accessed at FRC Annual Review of Corporate Reporting 2022/2023.

One of the expectations that the FRC has from companies in relation to financial statements is ensuring that

- Material climate change risks and uncertainties discussed in narrative reporting have been appropriately considered in the financial statements – both the impact on numbers and narrative disclosures
- Narrative reporting is consistent with the financial statements

We encourage management to stay abreast of developments in this area, as guidance and reporting requirements will continue to evolve in the coming years.

What do management need to consider when thinking about climate change?

We ask management to consider the aspects below and while these considerations are not exhaustive, it will be used as part of our audit procedures.

- The climate reporting requirements, directives, or legislation that the entity is required to comply with. See "Summary – current 'climate-related' reporting requirements for companies reporting in the UK" for further detail
- How management identifies and responds to climate related issues. This will include management's process(es) and controls for identifying and responding to the impact of climate change/ climate related issues and risk assessment of climate change to the business

What is our role when considering climate change?

The auditor's objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement and report on whether the financial statements are prepared, in all material respects, in accordance with the financial reporting framework. If climate change impacts the entity, the auditor needs to consider whether the financial statements appropriately reflect this. This requires consideration of factors presenting a potential risk of material misstatement of the financial statements as a result of climate change. Where risks are identified, auditors need to determine an appropriate audit response to determine if they have a material impact on the financial statements.

Summary – current 'climate-related' reporting requirements for companies reporting in the UK

	Category of company				
	Small private	Medium private	Large private	AIM	Main markets[5]
Directors' report	✓	✓	✓	✓	✓
• SECR report			✓	If large	✓
• Stakeholder engagement			✓	If large	✓
Strategic report[1]		✓	✓	✓	✓
• s172 statement			✓	✓	✓
• Environmental matters					✓
• Non-financial and sustainability report ('TCFD aligned')[2]			> 500 employees and > £500m sales	> 500 employees	> 500 employees
TCFD report					✓[3]
Viability report					✓
Financial statements [4]	✓	✓	✓	✓	✓

Notes

1. Forthcoming (not yet endorsed in the UK but are effective from periods beginning on or after 1 January 2024): IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures
2. For accounting periods starting on or after 6 April 2022
3. For accounting periods starting on or after 1 Jan 2021 (Premium listed) and 1 Jan 2022 (most standard listed)
4. FRS 102 Factsheet 8 (frc.org.uk) and IFRS standards and climate related disclosures_IASB
5. Main Markets include: LSE Main Market, IPSX, The London Metal Exchange, ICE Futures Europe, Aquis Stock Exchange Limited and Cboe Europe Equities Regulated Market

Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (BEIS)

Overview

For financial years starting on or after 6 April 2022, mandatory TCFD-aligned climate disclosure requirements on climate change related risks and opportunities, where these are material, are required. These requirements have been built into the Companies Act.

Entities within scope are:

- All UK companies that are currently required to produce a non-financial information statement, being UK companies that have more than 500 employees and have either transferable securities admitted to trading on a UK regulated market and banking companies or insurance companies (Relevant Public Interest Entities (PIEs))
- UK registered companies with securities admitted to AIM with more than 500 employees
- UK registered companies not included in the categories above, which have more than 500 employees and a turnover of more than £500m
- Large LLPs, which are not traded or banking LLPs, and have more than 500 employees and a turnover of more than £500m
- Traded or banking LLPs which have more than 500 employees

Disclosure requirements

Disclosure requirements include descriptions of governance arrangements, how climate-related risks and opportunities are identified and the actual and potential impacts of the climate-related risks and opportunities identified. This is not an exhaustive list of the requirements.

The requirements can be found in here: The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022

Further guidance on the application of these requirements can be found here:
Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs (publishing.service.gov.uk)

Reminder – Streamlined energy and carbon reporting (SECR)

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006. [Refer to the 'Streamlined energy and carbon reporting slide' for more information.]

Financial Conduct Authority (FCA) requirements to make Task Force Climate-related Financial Disclosures (TCFD)

Overview

Premium listed entities have since 2021 been required to include a statement in their annual financial report, setting-out whether they have made disclosures consistent with the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Where disclosures have not been made, there must be an explanation of why and a description of any steps they are taking or plan to take to make consistent disclosure in the future.

The Financial Conduct Authority (FCA):

- Extended the application of these requirements to issuers of **standard listed** shares and global depositary receipts representing equity shares (excluding standard listed investment entities and shell companies) via listing rule LR 14.3.27R, which came into force for accounting periods beginning on or after 1 January 2022
- Introduced new TCFD-aligned disclosure rules for **asset managers and certain asset owners**, which came into force for the largest firms on 1 January 2022 and will apply to smaller firms one year later

Entities within scope are:

- Premium listed entities with an accounting periods starting on or after 1 January 2021
- Standard listed entities for accounting periods starting on or after 1 January 2022

Further review

We draw attention to FRC communication News Financial Reporting Council issued in July 2023.

The FRC and Financial Conduct Authority published two reports which found that premium listed companies have made significant steps forward in the quality of climate-related information provided in their financial reports, but further improvements are needed. These reports can be found here:

The FRC report FRC Thematic review of climate-related metrics and targets July 2023

The FCA report Review of TCFD-aligned disclosures by premium listed commercial companies | FCA

Included in these reports is a full list of areas where companies will need to raise the quality of their disclosures.

The FRC noted that there have been improvements in the reporting of climate-related metrics and targets but there are still areas for further improvement. These include better linkage to risks and opportunities, more transparency and disclosure of how the impact of announced climate-related targets and transition plans have been considered.

Reminder – BEIS and FCA disclosures

BEIS reporting applies to entities in the scope of the TCFD requirements.

Also note TCFD disclosures are “comply or explain”. This is not the case for BEIS requirements.

Reminder – Streamlined energy and carbon reporting (SECR)

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006. [Refer to the ‘Streamlined energy and carbon reporting slide’ for more information.]

Corporate Sustainability Reporting Directive (CSRD)

Overview

If the group has branches or subsidiaries of a specified size that are trading in EU member states, then those entities will be required to provide extensive sustainability disclosures from 1 January 2025 in the annual reports and accounts of those entities.

The European Union's (EU) Corporate Sustainability Reporting Directive (CSRD) came into effect on 5 January 2023. Individual EU member states have 18 months from the effective date to incorporate the requirements of the CSRD into their domestic law. While member states cannot deviate from the minimum requirements set out in the CSRD they are able to make a number of elections during this exercise. These include the scoping requirements, the determination of the language that should be used for the sustainability report and permitting assurance to be provided by alternative providers to the statutory auditor.

What are the goals of the corporate sustainability reporting directive?

A key objective of the CSRD is enabling businesses to increase transparency and accountability of their reporting, and give stakeholders insight and guidance through analysis, benchmarking, and auditing. It's also intended to broaden the scope of sustainability management and reporting to include sustainability risks and opportunities. Ultimately, this should encourage businesses to develop a strategy to improve on sustainability.

The disclosure required by the CSRD is extensive. It covers the complete range of sustainability related topics such as climate change, biodiversity, employee working conditions, human rights etc.

Key things to know about the CSRD

Double materiality

Double materiality is fundamental to the new rules. In-scope companies will now have to report on a double materiality basis, identifying sustainability risks and opportunities, and the impact of the company on people and the environment. This means that companies will have to identify both the external impact on society and the environment (impact materiality), as well as the impact on the enterprise value (financial materiality).

Sustainability reporting standards

On 31 July 2023, the European Commission adopted 12 European Sustainability Reporting Standards (ESRS) that underpin the requirements of the CSRD. These standards have become law and will be published in the EU's Official Journal and will apply from 1st January 2024. There is no requirement, unlike the CSRD, for these to be included in the domestic law of EU member states.

Sustainability assurance

The CSRD has a requirement for mandatory assurance for all reported sustainability information. The assurance level commences with 'limited assurance' and over time will increase to 'reasonable assurance' following an assessment as to whether such a level of assurance is feasible for both auditors and entities. This is expected to have been completed by no later than 1 October 2028.

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Corporate Sustainability Reporting Directive (CSRD)

Which companies are in scope?

Entities not listed on an EU regulated market within scope are:

- Large EU companies and groups – periods commencing on or after 1 January 2025
- Non-EU headquartered companies – periods commencing on or after 1 January 2028

Size criteria

An EU entity will be a large entity if at least two of the following metrics are exceeded on two consecutive annual balance sheet dates:

- Total assets of €20 million
- Net turnover (revenue) of €40 million
- Average of 250 employees

The same thresholds apply to an EU parent company, including intermediate parent companies, on a consolidated basis. In this case, the group consists of all subsidiary undertakings irrespective of where in the world they are located. It's possible that the EU parent may be exempt from preparing consolidated accounts. However, that exemption does not apply to CSRD reporting.

From 1 January 2028, certain non-EU headquartered companies will be required to publish and make available the ultimate parent entity's sustainability report. This reporting will be based on either 'Non-EU dedicated standards', ESRSs or 'equivalent standards'. It is unclear when the Non-EU dedicated standards will be published for consultation or what sustainability standards, if any, the European Commission will deem to be equivalent.

Non-EU headquartered companies that are in scope of this reporting requirement are those that have at least one EU entity in the group that is in scope of the CSRD or has at least one EU branch that generated net turnover (revenue) of more than €40 million in the prior financial year and consolidated net turnover (revenue) generated in the EU is in excess of €150 million for each of the prior two consecutive financial years.

Recommended action to take

- Identify which entities in the group are in the scope of the CSRD, taking into account any changes made by member states in their domestic laws
- Identify what information is required to be disclosed by the ESRS and determine how any data gaps will be addressed. This includes comparing new disclosure requirements to the current state
- Undertake a double materiality assessment. This may include policies, KPIs, and targets
- Determine what EU taxonomy* disclosures and KPIs will also need to be reported along with the ESRS disclosures

* The EU Taxonomy is a classification system developed by the European Union (EU) to identify and define economic activities that are considered environmentally sustainable.

Streamlined energy and carbon reporting (SECR)

The SECR framework

The SECR requirements came into force on 1 April 2019 and extended existing greenhouse gas reporting already in place for UK Quoted companies, to UK registered, unquoted, large companies as defined in the Companies Act 2006.

Size Limits	Two out of:
Turnover	>£36m
Balance sheet	>£18m
Employees	>250

Large Limited Liability Partnerships (LLPs), which are already required to undertake energy audits under Energy Savings Opportunities Scheme (ESOS) Regulations also fall within scope of the SECR framework. Companies using 40,000kWh or less energy in the 12 month reporting period are exempt. Public organisations, charities or voluntary bodies fall outside this legislation unless they operate as companies or LLPs and are above the relevant reporting thresholds.

The SECR was developed with the intention of making environmental reporting more consistent and to encourage more businesses to realise the benefits of measuring their environmental performance. Measurement is often the first step in reducing energy and other resource consumption and can assist businesses in gaining a better understanding of these increasingly important environmental challenges.

Group reporting

If reporting at the group level, when making energy and carbon disclosures, information of any subsidiaries included in the consolidation must also be taken into account. However, there is the option to exclude any information relating to a subsidiary which the subsidiary would not be obliged to include if reporting on its own accounts.

Furthermore, a subsidiary might not be obliged to include the energy and carbon information in its own accounts and reports, if it is included in the group report of a parent undertaking.

What needs to be in the financial statements?

Disclosure requirements include UK energy usage with comparatives, UK scope 1 and 2 greenhouse gas emissions with comparatives and methodology of how the data has been collated and prepared. This is not an exhaustive list of the requirements.

There are also voluntary Scope 3 greenhouse gas emissions disclosures that are encouraged.

A full list of requirements can be found at Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance

These disclosures need to be made in the directors' report. Where energy usage and carbon emissions are of strategic importance to the company, disclosure may be included in the strategic report instead of the directors' report.

FRC Thematic Review

In September 2021, the FRC published their thematic review on SECR. The key findings from this review is that more needs to be done to make the disclosures understandable and relevant for users:

- Reports did not always provide sufficient information about the methodologies used to calculate the emissions and energy use information
- It was not always clear which entities were included in groups' SECR disclosures
- More thought is needed about how to integrate these disclosures with narrative reporting on climate change, where relevant, and make them easier for users to navigate
- It was sometimes unclear whether the ratios selected were the most appropriate for the entities' operations
- Disclosures about energy efficient measures did not always clearly describe the 'principal measures' taken by the entity in the current year
- The extent of third party assurance obtained over the SECR information was not adequately explained in most cases

The thematic review report provides a number of best practice examples, along with the expectations of the FRC for good SECR disclosures.

Appendices

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Delivering audit quality – proven success in regulatory inspections

You are working with a firm who has quality at the heart of their audit culture; a firm with a consistent track record in driving quality; and the first firm ever to have 100% of files reviewed in the highest quality gradings bracket awarded by the Financial Reporting Council (FRC) – for two consecutive years.

Consistently delivering high-quality results

- In 2022, we were the first firm to ever be awarded the highest quality gradings bracket for 100% of files reviewed by the FRC. We're delighted that this is consistent for the 2022-23 findings
- The graph to the right shows Grant Thornton is the only firm to have all files reviewed in the highest quality gradings bracket awarded ("Good or limited improvements required"). It also shows the progress of our quality journey, following the enhancements and investments we've made in recent years
- Furthermore, this year's report by the FRC includes findings from the ICAEW's Quality Assurance Department (QAD) where, again, 100% of those reviewed for our firm are in the highest bracket awarded

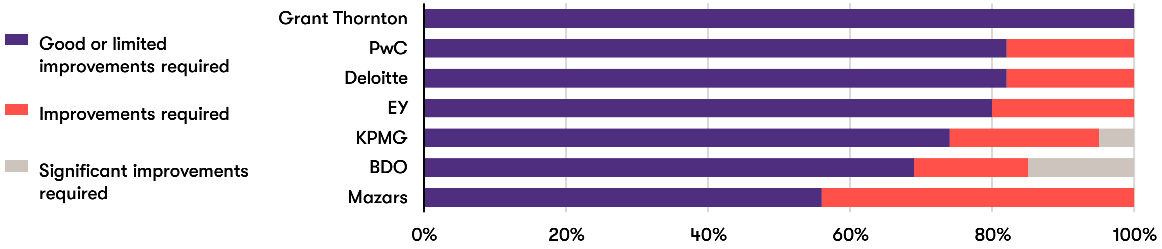
Click here to see the latest annual Audit Quality Inspection for our firm, as published by the regulator, the FRC, on 6 July 2023.

Continued commitment to audit quality

We've established a 2025 audit strategy focussed around further enhancing our audit practice to ensure we continuously deliver high-quality audits through:

- **Creating an environment which allows us to excel in our chosen markets, consistently.** We've structured our audit practice to enable our teams to work across one of three markets (public interest, private capital, or entrepreneurial services), so our people have both the experience and enthusiasm to audit similar businesses
- **Delivering exceptional results in four key areas of Quality, Inclusion & Diversity, Environmental, Social, Governance and People Experience.** Our people and our client relationships are our greatest asset and we've cultivated a strong audit culture
- **Investing in talent, technology and infrastructure.** We continually re-invest in the very best people, technology and infrastructure to instill a mindset of continuous improvement

FRC's Audit Quality Inspection and Supervision Report Findings 2022-23 (%), July 2023



The FRC have introduced 'targeted activity' – extracted directly from the report, the FRC state: "targeted activity: reduce inspection and supervision activity at firms where we have seen sufficient and sustained improvements in audit quality. This enables us to invest resources elsewhere, including at firms where quality improvements have been insufficient". We're delighted that, our firm, as a result, will see fewer inspections in future years.

What has the FRC said about us?

Our firm is immensely proud of the "good practice" areas highlighted by the FRC in our recent inspections, all of which remain integral to ensure we continue to deliver outstanding quality:

- Use of specialists, including at planning phases, to enhance fraud risk assessment
- Effective deployment of data analytical tools, particularly in the audit of revenue
- Robust challenge and effective assessment around capitalisation of costs, and consistency in assumptions used around valuations
- Clear oversight at group level when working with component auditors, including detailed review of working papers and evidencing interactions with component teams

We also welcome the FRC's comments around our own Internal Quality Monitoring process as "good practice" and other areas highlighted around our challenging of accounting around complex areas; holding discussions with those outside the finance team to provide broader audit evidence, and detailed and effective communication to Audit Committees.

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Delivering audit quality – Quality Management Approach

Our Quality Management Approach (QMA) is structured around a number of components and is designed to meet the requirements of International Standard on Quality Management (UK) 1 as well as several other standards. The objectives of the QMA are:

- to deliver a risk-based approach to continually improving quality
- for individuals to see quality is more than just basic "tick box" compliance. Quality is at the centre of everything we do and allows us to meet our stakeholder's expectations
- to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:
  - the firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements and
  - engagement reports issued by the firm or engagement partners are appropriate in the circumstances
- to establish and maintain a robust monitoring, reporting, root cause and remediation programme
- to ensure the firm is resilient and can identify and respond to changes in the regulatory environment

The components of the QMA have a number of detailed objectives and requirements designed to meet the overall objectives noted above. We identify risks to the achievement of these objectives and requirements and have developed and implemented responses to these risks. Our responses are designed around our:

Underlying structures | **Policies** | **Processes** | **Controls**

The risks identified are rated according to the firm's risk taxonomy and risk rating model.

The QMA has a range of monitoring activities embedded within it but is also subject to a detailed review and testing process on an annual basis. The QMA provides consistency in the quality of our audits through the breadth and depth of our responses to quality risks.

Our quality components are outlined below

Culture – We create a culture where quality is embedded in everything people do.

Leadership and governance – We behave ethically and meet the expectations of our regulators and society.

People – We recruit, develop and nurture people from all backgrounds. We ensure they have the skills, ability, confidence and enthusiasm to deliver quality work across the business.

Risk assessment, mitigation and resilience – We manage risk and build our resilience to support the firm's strategy and deliver quality in all our work.

Operating environment and new initiatives – We monitor our operating environment for changes impacting quality. We consider quality, risk and legal requirements for new initiatives, including digital solutions, services and market offerings.

Reputation – We behave ethically and meet the expectations of our regulators and society.

Technology and data – We have a digital mindset. We manage our information and records to protect confidentially, maintain their integrity, ensure accessibility and support work done.

Take On – We only accept and continue work with clients aligned to our purpose, where we can deliver quality and only once all legal, commercial and ethical requirements have been met.

Delivery – We provide clear and easy to understand policies and procedures to guide and support our people to deliver quality assignments. We challenge each other, prior to providing assignment delivery, to ensure our work meets our high-quality standards.

Monitoring, reporting and root cause analysis – We monitor processes and controls on an ongoing basis. Reporting and root cause analysis allow us to take appropriate actions to address issues and focus on continuous quality improvement.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

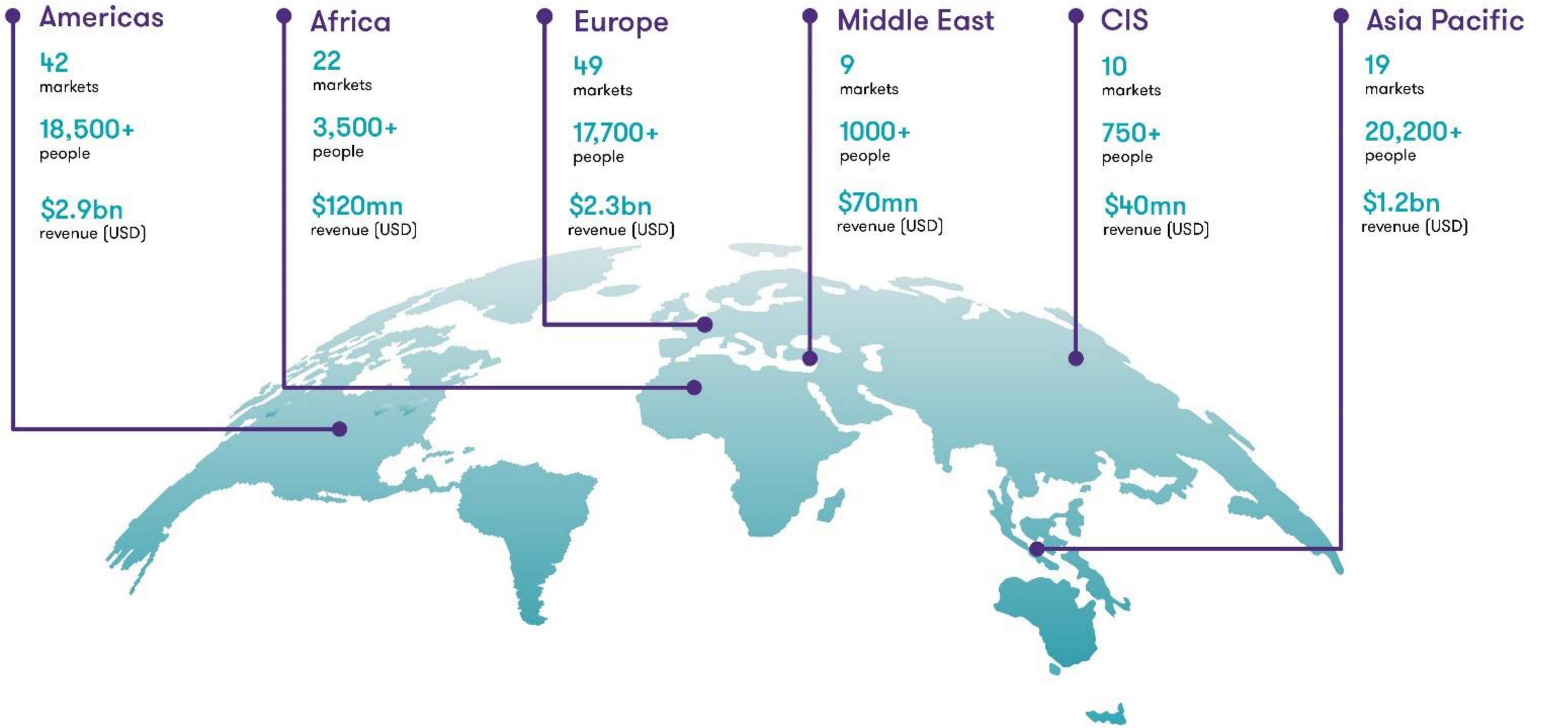
Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

Grant Thornton at a glance

We are the UK member firm of a global network that employs 62,000 people in 140 countries. We combine global scale with local insight and understanding to give you the assurance, tax, and advisory services you need to realise your ambitions.

We go beyond business as usual, so you can too. We make business more personal by investing in building relationships.

Whether you're growing in one market or many, you consistently get a great service you can trust. We work at a pace that matters – yours – bringing both flexibility and rigour. We celebrate fresh thinking and diverse perspectives to bring you proactive insights and positive progress.



27
UK offices

200+
Partners

5,000
UK employees

£570m
Turnover

No.1
Independent nominated adviser of AiM

6th
Largest auditor – FTSE 350

6th
Largest auditor – UK's top privately-held companies

51%
FTSE 100 are non-audit clients

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Grant Thornton

Cheshire East Council

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Audit and Governance Committee

30 May 2024

Update on the Governance arrangements of the Dedicated Schools Grant Management Plan 2024/25 to 2030/31

Report of: Deborah Woodcock - Executive Director of Children's Services

Report Reference No: AG/07/24-25

Purpose of Report

1 Following approval of the Designated Schools Grant (DSG) Management Plan 2024/25 to 2030/31 by the Children and Families Committee on the 29 April 2024, members of the Audit and Governance Committee are asked to note the governance arrangements, risk and internal controls where the DSG management plan will be reported to and monitored.

2 This report will describe the governance arrangements and set out the monthly reporting arrangements to provide assurance to Audit and Governance Committee that the actions undertaken as part of the DSG Management Plan are having a positive impact on children, young people and families in Cheshire East, balanced with an update of the authority's financial position in line with achieving a balanced budget by 2031.

Executive Summary

3 The governance arrangements for a strategic DSG Management Plan panel have been established, to track and monitor progress against the strategy workstreams, implementation of the 9 PIDs and the financial impact on the DSG budget. The governance and scrutiny will take place via a DSG Management plan panel chaired by the Chief Executive with member representation, including cross party members from Children and Families Committee and Scrutiny and Finance committees. Reporting and scrutiny will be from Children and Families Committee monthly.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Note that this briefing report outlines the progress of the DSG management plan based on the outturn financial DSG high needs position.
2. Note that monthly reports will be provided to the children and families committee to provide a breakdown on progress of the DSG management plan based on the agree mitigated outcomes of the Plan from April 2024 onwards.
3. Note the monthly reporting schedule for the children and families committee to scrutinise progress against the plan.

Background

Cheshire East Revised DSG Management Plan

4 The DSG Management Plan 2024/25 to 2030/31 approved at children and families committee on 29 April 2024 outlined an unmitigated and a mitigated financial position.

5 The unmitigated financial forecast considered the local authority's High Needs deficit if no action is taken. The mitigated financial forecast included carefully considered interventions. Cumulative mitigations are forecast to amount to £916 million.

6 The unmitigated forecast position for 2030-31 shows total expenditure of £340.4 million against an expected grant of £68.6 million, resulting in an in-year deficit of £271.8 million and a total deficit reserve position of £1.2 billion.

7 The mitigated forecast position for 2030-31 shows total expenditure of £70.2 million against an expected grant and school block transfer of £70.7 million, resulting in an in-year surplus of £0.6 million and a total deficit position of £284.8 million.

Mitigations

8 Since the development of the new DSG Management Plan 2024/25 to 2030/31 a determined focus has been on the strategic aim of the RIGHT TIME, RIGHT SUPPORT, RIGHT PLACE, to enable us improve outcomes for our children and families.

9 Our vision for children and young people with special educational needs and disabilities (SEND) is the same as for all children and young people

- that they achieve well in all aspects of their lives and are happy, fulfilled and play an active role in their communities. For children and young people and their parents and carers, this means that their experiences will be of a system which is supportive of everyone and we ensure our resources and energy are applied efficiently. Their special educational needs and disabilities will be picked up at the earliest point with support routinely put in place quickly, and their parents and carers will know what services they can reasonably expect to be provided. Children and young people and their parents and carers will be fully involved in decisions about their support and what they want to achieve.

10 The DSG management plan 2024/25 to 2030/31 has been developed collaboratively across the partnership with our key stakeholders in developing at set of mitigations that will improve the lives of our children with SEND in Cheshire East. By listening and working in collaboration with our children, young people, parents, carers, early years' providers, schools and colleges, health and social care professionals who are best placed to know what is needed and what works well, the mitigations will support us to deliver on the areas identified in our SEND strategy.

The High Needs Budget and Expenditure

11 The authority's DSG high needs forecast cumulative deficit position in October 2023 was £89.6M.

12 Since September 2023 the partnership has been working together to embed the SEND Strategy and implement mitigations from the DSG plan and our Improvement plan.

Governance arrangements

13 A strategic DSG Management board has been reconfigured. Previously it was established to provide governance and steering throughout the Delivering Better Value (DBV) programme and governance of the DSG Management Plan. A new board has been reconfigured and strengthened with new Members of this board which will include the Executive Director of Children's Services and S151 Officer. This panel is being expanded to be a key transformation panel. The Chief Executive will chair this panel and there will be member representation, including cross party members from Children and Families Committee and Scrutiny and Finance committees.

14 The SEND strategy workstreams will drive the implementation of the 9 PIDs and will form part of our monitoring process which will report to the Strategic SEND transformation and oversight panel.

15 Terms of reference for this group are being developed and will be shared with the Children and Families committee on the 3rd of June.

16 We have continued to update schools and settings on progress and deliver key updates as part of on-going network meetings, such as Schools Forum, head teacher network sessions both primary and secondary, SEND conferences and governor forums.

17 The SEND Partnership will ensure partners are aware of the issues and part of the design of any solutions.

18 A detailed data performance suite is being developed to track and monitor progress against the strategy workstreams and implementation of the 9 PIDs.

19 Committee agreed monthly meetings to scrutinise the progress of reports outlining key areas of progress against the plan. To enable this to happen it is agreed that a progress report of our SEND transformation plan and data will be a standardised agenda item and a report will be at each C&F committee. It is then proposed that during the month without a committee a team's briefing will be scheduled to share the months update. A copy of the report will also be placed on the members hub.

20 The new reporting data suite is being developed and we aim to have a final version agreed and in place by September. Over the next few months, we will work with members of the children and families committee within the team briefings to refine a report and data set to ensure the validity and integrity of the data and provide members with sufficient data to scrutinise our progress.

Monitoring Officer/Legal

21 Under the Local Government Finance Act 1993, the council has a statutory duty to use resources efficiently and effectively against priorities and to achieve a balanced budget. S28 (budget monitoring: general) of the Local Government Act 2003 requires the Council to review its calculations from time to time during the year and to take such action, if any, as it considers necessary to deal with any deterioration in its financial position.

22 The Dedicated Schools Grant (DSG) is paid to the Council by the Secretary of State under the Education Act 2002. S14 (power of Secretary of State to give financial assistance for purposes related to education or children etc.). It is a specific ring-fenced grant given outside the local government finance settlement. The terms of the grant require it to be used to support schools budgets for purposes defined in regulation 6 and schedule 2 of The Schools and Early Years Finance (England) Regulations 2022. Local authorities are responsible for

determining the split of the grant between central expenditure and the individual schools budget (ISB) in conjunction with local schools forums. Local authorities are responsible for allocating the ISB to individual schools in accordance with the local schools' funding formula.

23 The Education and Skills Funding Agency Guidance on DSG: Conditions of grant 2023-24 require any local authority with an overall deficit on its DSG account to present a Plan to the DfE for managing their future DSG spend and to keep the schools forum regularly updated about the authority's DSG account and plans for handling it including high needs pressures and potential savings.

Section 151 Officer/Finance

24 The DSG management plan forecasts an unmitigated cumulative DSG deficit of £1.2 billon by the end of 2023/31, reducing to £285 million if implemented successfully.

25 Both the current and forecast deficit balances are creating financial pressures and are unaffordable for the council. Therefore, support from the DfE through the Safety Valve program, or support through other avenues, is essential to avoid the need to issue a S114 notice in the future.

26 As detailed in the Cheshire East MTFS the council is experiencing financial challenges at a scale that it has not faced before. This makes delivery of the DSG Management Plan imperative as the council is not in a position to be able to fund DSG pressures.

27 The council has applied for Exceptional Financial Support (EFS) to the Secretary of State for Levelling Up. This application includes a request to be able to capitalise the estimated cost of interest on the DSG deficit for years 2023/24 and 2024/25, estimated to be £9 million.

28 This request has been approved in principle and if supported it will remove the cost of interest for these two years from the revenue costs and allow us to spread the cost over a longer timeframe. However, this does not address the ongoing cumulative deficit, or the interest costs which will continue to be a pressure in year 2025/26 and onwards linked to the deficit.

Policy

29 Local authorities are under a duty to ensure sufficiency of school places in their area (section 14 of the Education Act 1996).

30 The SEND Code of Practice (January 2015) provides statutory guidance on duties, policies and procedures relating to Part 3 of the Children and Families Act 2014 and associated regulations and applies to England.

31 The DfE issued the "SEND Review: Right support, right place, right time" - a SEND and AP green paper which is a consultation on the future of SEND services. The SEND Partnership response is in support of the proposals and promptly making those legal requirements will support the council in delivery of the necessary changes.

32 Following the green paper consultation in March 2023 DFE published their SEND and alternative provision improvement plan which sets out their plans to change the special educational needs and disabilities (SEND) and alternative provision system in England. The partnership will ensure we keep up to date with the DFE roadmap and change programme as this is progressed nationally.

https://www.gov.uk/government/publications/send-and-alternative-provision-improvement-plan/send-and-alternative-provision-roadmap

33 The statutory duties include:

- the need to undertake a needs assessment where a child may have additional needs,
- to issue an education, health and care plan within 20 weeks where assessment provides evidence this is required to meet the assessed needs.
- the local authority must then secure an appropriate school place and must consult with parental preference.

Equality, Diversity and Inclusion

34 An Equality Inclusion Assessment has been completed previously for the DSG Management Plan; this is available on the website.

35 The SEND Code of Practice looks to ensure the assessed additional needs of children with special education needs are provided for, to enable them to reach agreed outcomes.

Human Resources

36 Additional budget of £500,000 has been secured via the MTFS to provide transformation support for the implementation of the plan.

Risk Management

37 An impact on the council's base budget (council tax, national non-domestic rates and general grants) as a contribution may be required to manage the high needs pressures or DSG deficit reserve balance.

38 There are insufficient capital resources and / or capacity to deliver the additional changes needed to provide more places in the borough. This is a particular challenge if trying to bring the mitigations forward.

39 Service levels reduce as funding is not sufficient and future Ofsted inspections raise issues which damage reputation and result in the council being required to produce a "written statement of action" to remedy failings.

40 The council continues to make payments to settings, but it is not able to fund them from the overall resources it has available.

41 The DSG Management Plan is based on a series of assumptions over EHCP numbers and average costs. These are subject to change and this risk will be mitigated through regular reviews of the plan.

Rural Communities

42 There are no direct implications for rural communities.

Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

43 The council has approved its Children's Vision which contains a priority around children with additional needs.

44 The SEND Partnership Strategy sets out the Partnership vision for meeting the needs of children and young people with SEND. This strategy was refreshed to include the DBV opportunities and mitigations within the DSG Management Plan in 2023.

Public Health

45 There are no direct implications for public health.

Climate Change

46 Many pupils are educated out of borough at high costs and with long travel journeys.

47 Where possible systems that save on energy consumption will be considered, particularly for electricity.

48 Any internal works required to update buildings to make them fit for purpose will include a comprehensive review of the impact on climate factors.

49 Any significant changes that may take place will require full compliance with the latest building regulations relating to such factors as insulation/heat loss and energy efficiencies. Such factors will be key considerations as the scheme is developed through to full handover.

Access to Information	
Contact Officer:	Claire Williamson Director of Strong Start, Family Help and Integration and SEND Claire.williamson@cheshireeast.gov.uk
Appendices:	There is one appendix in this report: Appendix 1 – EHCP provision.
Background Papers:	Revised Dedicated Schools grant Management Plan 2024/25 to 2030/31 following the Department of Education Safety Valve Intervention Programme DSG Management Plan 2022-23 – C&F Committee September 2022 - Decision report template (cheshireeast.gov.uk) DSG Management Pan 2023-2024 – C&F Committee September 2023 - CEC Report Template (cheshireeast.gov.uk) Delivering Better Value Update C&F Committee March 2023 - Decision report template (cheshireeast.gov.uk) SEND & AP Green Paper - SEND and alternative provision improvement plan - GOV.UK (www.gov.uk) Children and Families Committee 18 September 2023:

	• SEND Strategy 2. SEND Strategy.pdf (cheshireeast.gov.uk) • SEND Sufficiency Statement CEC Report Template (cheshireeast.gov.uk) • Capital Programme CEC Report Template (cheshireeast.gov.uk) This link provides information on Safety Valve agreements with other local authorities - Dedicated schools grant: very high deficit intervention - GOV.UK (www.gov.uk)

Appendix 1

Table 1 - All EHC Plans in each type of setting including annual increase/decrease.

All EHCPS by provision type	Jan-22	EHCP Increase	% Increase	Jan-23	EHCP Increase	% Increase	Jan-24	EHCP Increase	% Increase
Mainstream schools inc. Nursery/Private, Voluntary and Independent (PVI)	1,830	261	17%	2,084	254	14%	2,368	284	14%
Resource Provision	88	-6	-6%	132	44	50%	148	16	12%
Special Schools	706	44	7%	778	72	10%	817	39	5%
NMSS/ISS/SPIs	337	78	30%	545	208	62%	613	68	12%
Alternative Provision (AP) and Pupil Referral Unit (PRU)	11	2	225	19	8	73%	19	0	0%
FE college & sixth form	440	99	29%	471	31	7%	611	140	30%
Total	**3,412**	**478**	**16%**	**4,029**	**617**	**18%**	**4,576**	**547**	**13.6%**

Table 2 - EHC plans in by setting type.

All EHCPS by provision type	Jan-22	Proportion of EHCPs in Provision Type	Jan-23	Proportion of EHCPs in Provision Type	Jan-24	Proportion of EHCPs in Provision Type
Mainstream schools inc. Nursery/Private, Voluntary and Independent (PVI)	1,830	54%	2,084	52%	2,368	52%
Resource Provision	88	3%	132	3%	148	3%
Special Schools	706	21%	778	19%	817	18%
NMSS/ISS/SPIs	337	10%	545	14%	613	13%
Alternative Provision (AP) and Pupil Referral Unit (PRU)	11	0%	19	0%	19	0%
FE college & sixth form	440	13%	471	12%	611	13%
Total	**3,412**	**100%**	**4,029**	**100%**	**4,576**	**100%**

Table 3 - EHC plans by age range.

All EHCPS by Age range	Jan-22	% Increase	Proportion of new plans 2022	Jan-23	% Increase	Proportion of new plans 2022	Jan-24	% Increase	Proportion of new plans 2022
Under 5 years old	201	25%	6%	257	9%	6%	275	7%	6%
Aged 5 to 10	1211	19%	35%	1408	32%	35%	1580	12%	35%
Aged 11 to 15	1278	14%	37%	1513	38%	38%	1730	14%	38%
Aged 16 to 19	636	16%	19%	752	19%	19%	866	15%	19%
Aged 20 to 25	86	4%	3%	99	2%	2%	125	26%	3%
Total	**3,412**	**16%**	**100%**	**4,029**	**18%**	**100%**	**4,576**	**13.6%**	**100%**

Table 1 - Growth of EHC plans and proportions by setting type.

EHCPs by Provision Type	% Growth from last year						Proportion of total EHCP in provision types					
	Actual 2022-23	Forecast 2023-24	CE Actual 2023-24	Trend	National	Forecast 2024-25	Actual 2022-23	Forecast 2023-24	CE Actual 2023-24	Trend	National	Forecast 2024-25
Mainstream schools inc. Nursery/Private, Voluntary and Independent (PVI)	14%	18%	14%	↓		8%	52%	52%	52%	↔	48%	51%
Resource Provision	50%	18%	12%	↓		10%	3%	3%	3%	↔	3%	3%
Special Schools	10%	6%	5%	↓		11%	19%	17%	18%	↑	28%	18%
NMSS/ISS/SPIs	62%	39%	12%	↓		8%	14%	16%	13%	↓	7%	16%
Alternative Provision (AP) and Pupil Referral Unit (PRU)	73%	0%	0%	↔		0%	0%	0%	0%	↔	1%	0%
FE college & sixth form	7%	18%	30%	↑		6%	12%	12%	13%	↑	13%	11%
Total	**18%**	**19%**	**14%**	↓	**9%**	**8%**	**100%**	**100%**	**100%**		**100%**	**100%**

Table 2 - New EHC plans issued in the year by setting type.

New EHCPs Issued	Jan-22	% Increase 2022	Proportion of new plans 2022	Jan-23	% Increase 2023	Proportion of new plans 2023	Jan-24	% Increase 2024	Proportion of new plans 2024
Mainstream schools inc. Nursery/PVI	578	3%	88%	602	4%	81%	628	4%	88%
RP	8	100%	1%	24	200%	3%	9	-63%	1%
LA Special	30	11%	5%	42	40%	6%	24	-43%	3%
Special Independent schools + SPIs and NMSS (pre & post 16)	15	-35%	2%	47	213%	6%	19	-60%	3%
AP/Pupil Referral Unit (PRU)	7	75%	1%	10	43%	1%	9	-10%	1%
FE/Post 16	16	-24%	2%	17	6%	2%	26	53%	4%
Total	**654**	**2%**	**100%**	**742**	**13.50%**	**100%**	**715**	**-3.64%**	**100%**

Table 3 - Growth of new EHC plans issued in the year by age-range.

NEW/FIRST PLANS by age range	Jan-22	% Increase 2022	Proportion of new plans 2022	Jan-23	% Increase 2023	Proportion of new plans 2023	Jan-24	% Increase 2024	Proportion of new plans 2024
Under 5 years old	154	33%	24%	200	30%	27%	196	-2%	27%
Aged 5 to 10	266	-4%	41%	297	12%	40%	287	-3%	40%
Aged 11 to 15	211	-1%	32%	218	3%	29%	198	-9%	28%
Aged 16 to 19	22	-35%	3%	27	23%	4%	31	15%	4%
Aged 20 to 25	1	0%	0%	0	-100%	0%	3	0%	0%
Total	**654**	**2%**	**100%**	**742**	**13.46%**	**100%**	**715**	**-3.64%**	**100%**

Audit and Governance Committee
Work Programme 2024-25

Report Reference	Audit & Governance Committee	Title	Purpose of Report	Lead Officer	Consultation	Equality Impact Assessment	Corporate Plan Priority	Part of Budget and Policy Framework	Exempt Item
AG/14/23-24	30/05/24	Companies Audited Financial Statements 2022/23	The purpose of this report is to present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2022/23	Director of Finance and Customer Services	No	No	Open	Yes	No
AG/11/24-25	30/05/24	Risk Management Q3 2023-24	This report provides an update on risk management activity during Quarter 3 2023/24, including detail of the council's Strategic Risk Register in that period, ending December 2023.	Head of Audit and Risk Management	No	No	Open	No	No
AG/07/24-25	30/05/24	Dedicated Schools Grant Deficit	To receive an update on Strategic Risk 04 - Dedicated Schools Grant Deficit and internal controls in place to mitigate risk.	Executive Director – Children and Families	No	No	Open	No	No
AG/15/24-25	30/05/24	Progress update - Annual Governance Statement 2022/23 Actions	To provide the Audit and Governance Committee with a an update on the progress of actions identified for Significant Governance Issues in the Annual Governance Statement 2022/23 which was received by the Committee at their March 2024 meeting. The approach to producing the 2023/24 Annual Governance Statement will also be included in the report.	Head of Audit and Risk Management	No	No	Open	No	No
AG/16/24-25	30/05/24	Internal Audit Update - Progress against Internal Audit Plan 2023/24 (Q3&Q4)	The purpose of this report is for the Committee to receive an update on work undertaken by Internal Audit between October 2023 and March 2024, and how this, will contribute to the Annual Internal Audit Opinion for 2023/24.	Head of Audit and Risk Management	No	No	Open; Fair; Green	No	No
AG/25/23-24 CP/25/24-25	29/07/24	Annual complaints report 2023/24	To provide an update on Complaints and customer contact for the period 1st April to 31st March 2024 and to provide assurance that actions arising from complaints and improvements identified are being actioned	Director of Finance and Customer Services	No	No	Open	No	No

Audit and Governance Committee
Work Programme 2024-25

AG/15/21-22	29/07/24	Whistleblowing Policy	To present proposals for an updated whistleblowing policy to the Audit and Governance Committee	Head of Audit and Risk Management	Yes	No	Open; Fair	No	No
AG/03/24-25	29/07/24	Progress Against CIPFA Review Action	To receive an update on progress made against the recommendations arising from the CIPFA Review.	Head of Audit and Risk Management	No	No	Open	No	No
AG/01/25-25	29/07/24	Annual Internal Audit Report 2023-24	To receive an update on work undertaken by Internal Audit during 2023-24 including the Internal Audit Opinion.	Head of Audit and Risk Management	No	No	Open	No	No
AG/04/24-25	29/07/24	Draft Annual Governance Statement 2023-24	To consider the draft Annual Governance Statement for 2023-24.	Head of Audit and Risk Management	No	No	Open	No	No
AG/09/24-25	29/07/24	Internal Audit Review Update - S106	To update the committee on the Internal Audit review timeline and recommendations for S106.	Head of Audit and Risk Management	No	No	Open	No	Yes
AG/10/24-25	29/07/24	Final Outturn and Draft Statement of Accounts 2023/24 (Audit & Governance Committee)	The purpose of this report is to present the pre-audited overview of the Council's Outturn and the draft Statement of Accounts for 2023/24. Members are being asked to note the financial performance of the Council. The report also provides confirmation that the accounts will be published on the Council's website. The report provides committee members with an early summary of the accounts, which will help them in advance of any formal responsibility to approve the accounts.	Director of Finance and Customer Services	No	No	Open	Yes	No
AG/17/24-25	29/07/24	Companies Draft Financial Statements 2023/24 (Audit & Governance Committee)	The purpose of this report is to present the draft financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2023/24	Director of Finance and Customer Services	No	No	Open	Yes	No
AG/12/24-25	30/09/24	Final Statement of Accounts 2023/24 (Audit & Governance Committee)	The purpose of this report is to present to committee the final version of the Statement of Accounts for 2023/24, the statements will incorporate the agreed changes reported in the Mazars Audit Findings report 2022/23. There will be a recommendation to committee approve the Statement of Accounts for 2023/24.	Director of Finance and Customer Services	No	No	Open	Yes	No

Audit and Governance Committee
Work Programme 2024-25

AG/13/24-25	30/09/24	Audit of Accounts 2023/24	The purpose of this report is to present to Council, the Mazars Audit Findings report for 2023/24 accompanied by a response recommended by the Audit & Governance Committee to any significant issues raised in the Audit Findings report.	Director of Finance and Customer Services	No	No	Open	Yes	No
AG/14/24-25	30/09/24	Companies Audited Financial Statements 2023/24 (Audit & Governance Committee)	The purpose of this report is to present the audited financial statements of Ansa Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2023/24	Director of Finance and Customer Services	No	No	Open	Yes	No

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Agenda Item 11

Cheshire East Council

OPEN
Appendix B– Part 2 By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

Audit and Governance Committee

30 May 2024

Risk Management Update - Q3 2023/24

Report of: David Brown, Director of Governance and Compliance, Monitoring Officer

Report Reference No: AG/11/23-24

Ward(s) Affected: All

Purpose of Report

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, and this report supports the Committee with this assurance.

Executive Summary

2 This report provides an update on risk management activity during Quarter 3 2023/24, including detail of the council's Strategic Risk Register in that period, ending December 2023. The Council's Strategic Risk Register is now complemented by the inclusion of the equivalent level risk registers for the Council's wholly owned companies; Orbitas, Tatton Park Enterprises and ANSA.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

- To note the update provided by this report to the Audit and Governance Committee.
- Identify any further assurance required by the Committee in relation to the management of risks included on the Council's Strategic Risk Register.

Background

3 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.

4 Items on the Strategic Risk Register are "owned" by members of the Corporate Leadership Team (CLT) 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.

5 Updates on the Strategic Risk Register are provided on a quarterly basis to the Corporate Policy Committee, alongside the updates on the organisation's financial performance and performance against the Corporate Plan objectives, to provide a comprehensive review and understanding of the Council's position throughout the year.

6 Regular updates are also provided to the Audit and Governance Committee to support the committee in its assurance role on the adequacy of the risk management framework.

7 In receiving the last update to the Audit and Governance Committee on 7 March 2024, Committee Members asked for further information and assurance on the Council's plans on managing the Dedicated Schools Grant deficit (SR04); a report and briefing on this subject are included on this meeting's agenda. Further details were requested in relation to SR12, Stakeholder Expectation and Communication, this information has been circulated to Committee members.

8 A briefing has also been provided to the Committee on the Council's HR function, which included details relating to the management of SR09, Recruitment and Retention.

Risk Management Operations

9 We have finalised testing on a new approach for recording risks at an operational level, which began to be used across the organisation from Q4 23/24. This system utilises existing software, including SharePoint and PowerApps and has been developed in-house with ICT colleagues and resourced as part of the Council's Information Assurance and Data Management programme. Advantages of the new approach provide for much greater opportunity in interrogation and analysis of the data held within the system.

10 We are now working with senior leadership to identify regular reporting requirements from the data, which will include the ability to monitor the frequency of updates, areas for escalation and monitoring, and specific interrogation for emerging themes and areas of concern. Over the course of 2024/25 this approach will enable us to provide greater levels of assurance on the management of operational risk across the organisation to the Committee.

Business Continuity Operations

11 Business Continuity Impact Assessments continue to be carried out in 2023/24, with the aim of assisting the organisation in managing and prioritising the continuation of service delivery. These have been driven by potential warnings of severe weather and informed by emergency planning exercises.

12 After moving away from an external software solution for business continuity planning in Q4 2022/23, the Council has returned to an excel based approach, with plans available on a centralised store, and hard copies of plans available in our emergency planning locations.

13 Based on the progress made with the risk management app, internal development to use a similar application and approach has begun. The opportunity to work with colleagues in our shared Emergency Planning team will give us the opportunity to test "proof of concept" as this develops, as well as having valuable opportunities to ensure service level business continuity plans consider critical response scenarios.

Summary of Quarter 3 review

14 Since the last update, the quarterly review of the Strategic Risk Register for Quarter 3, ending December 2023 has been provided to the Corporate Policy Committee on 21 March 2024. The Quarter 4 update will be provided to the Corporate Policy Committee in June 2024.

15 Revisions to the register are made on an on-going basis to ensure that the scope and detail of the individual risks, and the overall coverage of the register is reflective of the current threats to the organisation achieving its strategic objectives and maintaining business as usual service delivery. Where items are removed from the Strategic Risk Register, they continue to be considered at operational levels, and can be escalated back for inclusion based on CLT's judgement at that time.

16 Full details of the individual risks are provided in Appendix A. The content of this covering report relates to the key changes in risks from Quarter 2 to Quarter 3 and the inclusion of risk registers from wholly owned subsidiaries.

The appendices to this report provide the following detail

- Appendix A – Cheshire East Council Strategic Risk Register Q3 2023/24
- Appendix B – (Part 2) ANSA Risk Register Q3 2023/24
- Appendix C - Orbitas Risk Register Q3 2023/24
- Appendix D – Tatton Park Enterprises Ltd Risk Register Q3 23/24

17 An elevated level of risk remains across many parts of the organisation as the challenges of the current financial situation continue to unfold. This is reflected in the sensitivity and complexity of decisions being taken across the organisation and at all levels. Drivers of uncertainty remain much the same as Quarter 2 with no change in the two highest rated risk. Both of those risks directly relate to the funding, demand imbalance currently faced by the Council, and indeed all councils. Central government support is looked for in relation to this issue.

18 The on-going tight control of recruitment, with a material number of vacancies left unfulfilled, and spending restricted to essential expenditure only continues to impact our ability to deliver in all areas.

19 The impact of restricted recruitment and spending can be seen in both the Leadership Capacity and Ability to Achieve Organisational Change risks.

20 In positive news the JTAI improvement plan has been delivered and the protection of vulnerable children will be viewed through a “business as usual” lens moving forwards.

21 There is one increase in the net risk scores on the register arising from the Q3 review, which is the increase in the Climate Change risk.

22 Table 1 shows the position of the Strategic Risk Register after the Quarter 3 assessments: with the gross, net and target score for each risk. The table is organised by highest to lowest net risk for Q3.

23 Table 2 shows the position of the Strategic Risk Register based on the Q3 assessments against the previous quarter. Q1 scores have not been included where the risk has materially changed in description following the Q2 review.

24 The heat map below the tables (Chart 1) shows the concentration of critical and material rated risks.

25 As agreed by Corporate Policy Committee on 18 January 2024, the strategic risk registers of the Council's Wholly Owned Companies are now included to complement the Council's Strategic Risk Registers. These are included in detail in Appendix B, C and D and commentary about these risks, begins at paragraph 71.

26 It is important to note that the content of the registers, and the scoring methodology used by these organisations is slightly different to the Councils, reflecting proportionality and materiality relevant to them. The risks are also described from the perspective of the wholly owned companies, rather than the Council.

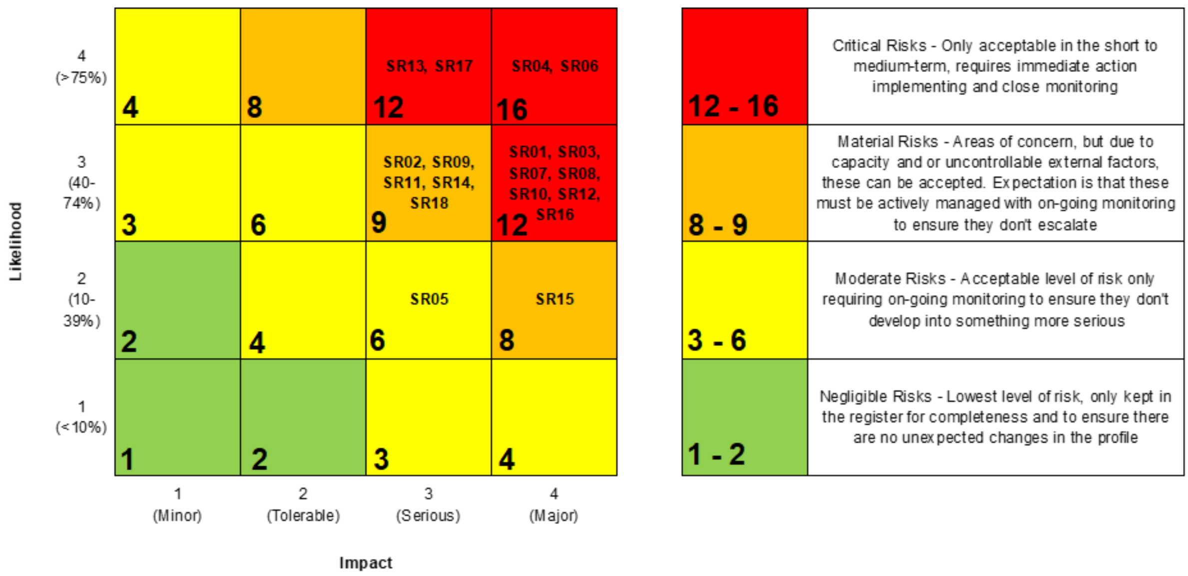
Table 1 – Strategic Risk Register, highest net score to lowest

Ref	Risk	Q3 Gross	Q3 Net	Q3 Target
SR04	Dedicated School Grant Deficit	16	16	12
SR06	Failure to Achieve the MTFS	16	16	9
SR01	Increased Demand for Adult's Services	16	12	9
SR03	Complexity and Demand for Children's Services	16	12	12
SR07	Leadership Capacity	16	12	8
SR08	Ability to Achieve Organisation Change	16	12	8
SR10	Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks	12	12	8
SR12	Stakeholder Expectation & Communication	16	12	9
SR13	Information Security and Cyber Threat	16	12	12
SR16	Failure of the Local Economy	16	12	12
SR17	Climate Change (CEC Carbon Neutral Status 2025)	16	12	9
SR02	Fragility and failure in the Social Care Market	16	9	9
SR09	Recruitment & Retention	16	9	9
SR11	Failure to Adhere to Agreed Governance Processes	16	9	6
SR14	Business Continuity	12	9	6
SR18	Local Planning Authority Modernisation Plan	12	9	6
SR15	Capital Projects – Place	16	8	8
SR05	Delivery of the JTAI improvement plan	16	6	6

Table 2 – Strategic Risks Direction of Travel

Ref	Risk	Q1 Net	Q2 Net	Q3 Net	Direction of Travel (Q2-Q3
SR01	Increased Demand for Adult's Services	12	12	12	⇔
SR02	Fragility and failure in the Social Care Market	9	9	9	⇔
SR03	Complexity and Demand for Children's Services	N/A	12	12	⇔
SR04	Dedicated School Grant Deficit	N/A	16	16	⇔
SR05	Delivery of the JTAI improvement plan	12	9	6	↓
SR06	Failure to Achieve the MTFS	N/A	16	16	⇔
SR07	Leadership Capacity	N/A	12	12	⇔
SR08	Ability to Achieve Organisation Change	N/A	12	12	⇔
SR09	Recruitment & Retention	N/A	9	9	⇔
SR10	Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks	12	12	12	⇔
SR11	Failure to Adhere to Agreed Governance Processes	9	9	9	⇔
SR12	Stakeholder Expectation & Communication	12	12	12	⇔
SR13	Information Security and Cyber Threat	12	12	12	⇔
SR14	Business Continuity	9	9	9	⇔
SR15	Capital Projects - Place	8	8	8	⇔
SR16	Failure of the Local Economy	12	12	12	⇔
SR17	Climate Change (CEC Carbon Neutral Status 2025)	9	9	12	↑
SR18	Local Planning Authority Modernisation Plan	9	9	9	⇔

Chart 1 – Strategic Risks Heat Map



Risks Updates by Service Committee

Adults and Health Committee

27 **Increased Demand for Adults Services:** There is no change to the risk rating or description. The implementation of the Quality, Performance and Authorisation Board ensures that every request for care is reviewed by Director and Senior Managers together with commissioners and brokerage staff. This has ensured that all care requests are effective and as efficient as possible and has also highlighted where providers appear to be charging for services not delivered.

28 During Q2 we have continued to see a high level of complexity, particularly for transition cases and mental health; we believe that this is due in part to the change in process from Health and the closure of Independent Hospitals. We are now providing care to a higher number of individuals who are in their late 90s and early 100's year old.

29 **Fragility and failure in the Social Care Market;** There is no change to the risk rating or description. Whilst overall capacity in the care market continues to be healthy, a major challenge to this arises from the planned 9.8% uplift in the National Living Wage from April 24. This is already leading to an increase in requests for fee uplifts from our care providers, on average around 10%.

30 During Q3, we have seen some quality challenges and an increase in whistleblowing resulting from care workers being added to the Shortage Occupation list for international recruitment. We also saw some market disruption including a non-commissioned care provider that folded prior

to Christmas and care businesses being sold to other providers. We are in the final stages of commissioning the “Care Cubed” tool which will enable us to undertake a comprehensive review of care fees.

Children and Families Committee

31 **Complexity and Demand for Children’s Services;** no change to the net rating, it remains 12, a material risk, equal to the target score. Additional growth to address budget pressures within services has been proposed in the MTFS consultation for 2024/25, including £10.8m to address placement costs for children.

32 Our first children’s home is due to open in early February 2024 - the home is awaiting its registration visit from Ofsted. We have recruited a full staff team and have built all the new systems, processes and training to enable us to grow our homes at pace moving forward. This will provide our cared for children with more opportunities to remain close to their communities and will provide better value for money against rising placement costs. A new sufficiency strategy on how we will develop placement options for children and young people will be received by the Children and Families Committee in February 2024.

33 Our new family group conferencing service will launch in February 2024. This service supports families and their wider support networks to create and deliver plans to support children and keep them safe, and will support families to sustain changes long-term, preventing children from needing a service in future. Where children can’t live with their parents, family group conferencing can support children to be cared for by a person they already know, which is better for children and young people, and avoids high-cost placements.

34 **Dedicated Schools Grant (DSG) Deficit:** There is no change to the risk rating or description; it remains at the highest net score of 16.

35 During Q3 a Safety Valve plan was developed, a significant piece of work, and on the 12th January 2024, it was submitted to Government, as part of the department for education’s (DfE) Safety Valve programme. The plans set out how the council proposed to reform services for children and young people with special educational needs and disabilities (SEND) and achieve a balanced and sustainable dedicated schools grant budget. The Safety Valve programme is in place to provide additional support, including financial support, to councils as they work to reform support and services for children with SEND, to improve sustainability and affordability. Subject to DfE approval, the plan will be published on the DfE website in March.

36 Additional growth was proposed in the MTFS budget consultation for 2024/25, including £0.5m to support transformation for SEND, and £0.9m for school transport, reflecting increased demand and increasing costs of fuel and contracts.

37 **Delivery of the JTAI Improvement Plan;** There was an 11- month JTAI Improvement plan review on 18th December 2023 and the outcome letter detailed as follows:

"Overall, the Council has made positive progress in improving the quality of multi-agency safeguarding practices since June 2023. The transformation required is now well understood and leadership teams have implemented many necessary changes to strengthen culture and performance. Focus groups, at all levels, reported that a culture of high-support-high-challenge is now embedded into practice, which has created a range of benefits including improved timeliness in responding to the needs of vulnerable children, improved information sharing and greater accountability across agencies.

We were impressed with the strides that the Council and partners have made in implementing a child-centred approach to safeguarding vulnerable children. Staff spoke confidently about creating a safe environment for vulnerable children by prioritising activities to build a trusted relationship and by working creatively with other practitioners to provide a wrap-around service. For example, social workers are now acknowledging a child's friendship group and connecting with other relevant social workers to build a broader network of support for children.

The themes raised across all feedback groups were consistent and a sign of genuine change within Cheshire East's children's services. While it is recognised that there are still improvements to be made, the leadership team seem much clearer on the Council's and partnership's direction of travel than they were in the review in June 2023. Overall, we were presented with an improving picture of Cheshire East's multi agency response to the criminal exploitation of children. It is clear that the local authority has, along with partners, undertaken a great deal of work to target those areas identified at the JTAI inspection and at the Department's six-month review. The Department is satisfied that systems and processes are in place to protect children who are at risk of, or are victims of, criminal and sexual exploitation and leaders are clear on their priorities to ensure the service continues to build on these foundations. As such, we are content to step down the specific JTAI related monitoring, provided that the Council maintain a tight grip on services and maintain the progress made so far."

38 Moving forward, we will be transferring to a more general risk of protecting vulnerable children. The scrutiny and monitoring will continue through the new partnership arrangements.

Corporate Policy Committee

39 **Failure to achieve the MTFS;** No change to the risk ratings at this time. The MTFS on budget setting for 2024/25 has been published for the Corporate Policy Committee meeting on 13 February. With regard to the projected outturn for 2023/24, it reiterates the forecast deficit of £13m reported in the Third Financial Review, as noted below.

40 It also reports the potential for the need to write-off to revenue the capital expenditure of £8.7m relating to HS2; this will be necessary if the support from Government requested (either compensation by way of grant, or capitalisation direction) is not forthcoming. In addition to the significant use of reserves needed to balance off the 2023/24 revenue account, the report also highlights growth pressures of £34.3m for 2024/25, as against the availability of additional funding of £22.6m, creating a budget deficit of £11.7m – and this position assumes approval and then delivery of a number of challenging change/ savings items.

41 This would mean further use of reserves and – even subject to successful achievement of those plans – that the General Fund balance at 31 March 2025 would be just £2.1m, and a ring-fenced earmarked reserve of only £1.7m would exist at that point. This is clearly unsustainable; and consequently the MTFS also includes the S25 report from the Director of Finance and Customer Services (Chief Finance Officer) which sets out the planned response to the 2024/25 budget and reserves position and the transformational activity that needs to take place during 2024/25 to address the financial crisis the Council is facing.

42 **Leadership Capacity;** no change to the risk rating at this time. Recruitment processes for the appointment of a new Chief Executive were undertaken in the quarter – with the new Chief Executive being appointed at Full Council on 13th December.

43 The Executive Director of Place resigned from the organisation in October 2023; interim arrangements whereby the Director of Growth and Enterprise is also acting up to the Executive Director Place role continue. Corporate Leadership capacity is recognised as a significant governance issue in the 2022/23 draft Annual Governance Statement.

44 **Ability to Achieve Organisation Change;** no change to the risk rating at this time. Corporate Plan engagement and development activity

continued in the quarter, concluding in December 2023. The new Chief Executive has been recruited and appointed at Council in December 2023.

45 The Director of Policy and Change resigned during the quarter, so ownership of the risk has transferred to the incoming Chief Executive and will be subject to further development and review in Quarter 4.

46 **Recruitment and Retention;** No change to the risk ratings at this time. National labour market pressures still exist, particularly in the care, social work, planning and ICT sectors. Local authorities are competing for the same staff, with some offering higher salaries and other benefits not in place at Cheshire East Council.

47 As outlined above, a comprehensive programme of work is in place to address these pressures. Much of this work is now ‘business as usual’ activity, but additional initiatives have also been introduced.

a) Work has begun to implement a range of additional staff benefits will support the recruitment and retention of staff, and most of this work should be completed during Quarters 3 and 4.

b) Work has continued on the promotion of the Employee Assistance Programme and usage continues to grow.

c) A process of office rationalisation has been agreed and these changes are likely to embed and develop the Council’s agile working approach, although it may also affect the retention of existing staff, if their work base changes.

d) Ongoing work to improve the efficiency of the recruitment process is in place.

e) The MARS scheme has been offered again and any staff leaving the organisation, will leave by the end of May 2024. This will enable the Council to re-design services and management structures to improve efficiency, create career development opportunities and reduce costs.

48 **Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks;** No change to the net risk score at this time, as 2024 is an election year for the Policy and Crime Commissioner and likely a general election, although no specific date has been set for the latter. Awareness and concern about the levels of local government funding has growing nationally, with authorities indicating that they will have to make significant reductions to services to deliver a balanced budget for 2024/25. Together, these factors create political uncertainty at both the local and national levels.

49 The Department for Levelling Up, Housing and Communities (DLUHC) has created the Office for Local Government (Oflog) to provide authoritative and accessible data and analysis about the performance of local government, and support its improvement. CEC expect to be providing performance data for key metrics to Oflog once those metrics are confirmed.

50 Communities secretary Michael Gove has announced that local authorities will need to set out how they will “improve service performance and reduce wasteful expenditure” in productivity plans as part of an additional £500m in funding for 2024-25 that social care authorities will share. The Department for Levelling Up, Housing & Communities will establish an “expert panel” involving the Office for Local Government and the Local Government Association to review the productivity plans which could inform funding settlements in the future.

51 **Failure to Adhere to Agreed Governance Processes;** The recruitment of a new Chief Executive took place during Q3 with the appointment being announced in the first days of the 2024. During the period here have been positive examples of cross committee working to ensuring audit recommendations are implemented, with oversight and assurance being provided to the Audit & Governance committee. The risk rating remains the same, supported by the fact that issues are being identified and resolved.

52 **Stakeholder Expectation & Communication:** No change to the risk ratings at this time. Coverage and public/media interest in the council through Q3 was dominated by the council’s financial position and the potential impacts of the governments’ announcement of cancellation of HS2 North of Birmingham. Q3 saw a significant escalation in public interest in pressures on council finances and the impacts on residents, local economy and environment. This is ongoing at a local and national scale and is reflected in national polling regarding resident satisfaction and perception of local councils.

53 Interest in the council’s financial position included in-year forecasting of budget gap, implementation of budget proposals from 2023/24 budget and looking ahead to future years. Key proposals attracting most interest included parking review, garden waste subscription scheme, strategic leisure review and green spaces maintenance. These were (and continue to be) supported with comprehensive communications plans, aligned to consultation activity, project plans and key decision-making. Despite this, when proposing or making significant cuts or changes to valued services, residents and other stakeholders will be concerned and will voice opposition.

54 We also saw developments and interest in flood mitigation plans for Poynton Pool, the ongoing planning issues relating to a housing development in Crewe, and concerns about review of household waste recycling centres.

55 During this period the council also submitted plans to DfE as part of the safety valve programme, relating to high needs funding and SEND service reform. This is of key interest locally and nationally.

56 Ensuring that the council's messages, information for residents and opportunities to influence decision-making (and understand the impact of that input), amid heightened interest from a range of voices and stakeholders, remains a significant challenge.

57 The Equality Impact Assessment (EIA) training has now been approved and is available on learning lounge. Work is underway to explore if this package can be made mandatory for Heads of Service as they have final approval and sign-off EIA prior to publication. This will ensure assessment is undertaken at the right level and that any impacts are understood and mitigated where possible.

58 A residents' survey has been undertaken during the period. Results are being analysed and summary reports will be drafted ready for wider distribution. Discussions will be undertaken to assess the responses and work with services will be undertaken to address any areas identified where performance needs to be improved. A shift to digital has reduced costs. Issues around accessibility were addressed through targeted use of paper copies and responses rates have provided for a good level of confidence in the results at town and borough level.

59 Many significant consultations have been undertaken during this period, with some timescales for reporting being short in some instances. Efforts are being made to ensure that the outcomes of these consultations are taken into account prior to any decisions being made.

60 **Information Security and Cyber Threat;** no material change to the risk this quarter. Activity to manage this risk during the quarter has included:

a) Identity Management – projects are continuing to ensure that identities are protected through increased monitoring and controls. These will ensure that correct level is applied to identities across the estate.

b) Application Management – review of current estate and alignment to the asset register.

c) Data Security – continued enhancement of the existing security controls to ensure that the latest threats are mitigated and protected. Development of a remediation plan to ensure that vulnerabilities are proactively monitored and addressed. Work is continuing to strengthen the resilience capabilities of data storage and protection. Work is progressing on a refreshed Cyber Incident Response Plan to ensure that the Council is best equipped should an incident occur.

d) Data Quality – Continuation of the MDM projects across several data fields to ensure that the councils' solutions have the correct data embedded with them, updated seamlessly across multiple systems. This is a key area to support any future drive to AI.

e) Information Management – continuation of projects to deliver and improve the maturity of information both through its storage and use of information. This will enable both greater protection for that information but also enable efficiencies through accurate management information and improved compliance through controlled retention and ease and speed of access to critical information. This is a key area to support any future drive to AI.

61 **Business Continuity**; No material change to the risk, time with a system analyst has been booked in for January to develop the scope for the BCP SharePoint App. Emergency Planning exercise planned for February based around a cyber security breach, the learnings from which will feed into the app development and inform further development of the organisation's business continuity approach.

Economy and Growth

62 **Capital Projects – Place;** No change to the risk ratings this quarter, controls and action review, no material changes identified. The Middlewich eastern bypass full business case was submitted to the DfT for funding, with a decision anticipated in the spring.

63 The effects of inflation continue to be felt across the wider programme of capital projects in Place, larger capital investments are continually assessed to understand whether they remain viable and will deliver the required benefits.

64 **Failure of the Local Economy;** The national economic situation continues to be monitored by the Economic Development Service. There is no change in the economic position, with the economy flatlining. Locally, the cancellation of HS2 has impacted confidence.

Environment and Communities Committee

65 **CEC's Carbon Neutral Status;** The council has projects in progress to achieve the target it has set itself to be carbon neutral by 2025, however this is now unlikely to be achievable based on time constraints for the following reasons;

- Due to the complexity of the projects required and how their practical delivery has been influenced by external market forces. These external factors are issues such as securing off takers for solar energy and an ability to acquire the necessary volume of small fleet vehicles over a restricted time period;
- The budget proposal to be considered in Quarter 4 at Full Council on 27th February 2024 to defer capital expenditure on the second larger solar farm and transition to EV fleet. This is proposed on the basis of the Council's very challenging financial position and the need to defer spend, in this case the cost of prudential borrowing, to future years wherever practicable.

If agreed at Full Council in Q4, this would revise the 2025 target for the Council to be Carbon Neutral to 1st April 2027.

66 Recognising the challenges described, the net score is increased from 9 to 12, target score also increased from 6 to 9.

67 **Local Planning Authority Modernisation;** There is no change to the risk ratings at this time and the desired reduction in net risk score is not yet possible. This is due to several on-going issues; one of which is the delayed the delivery of the ICT system project for which we have no solid timescale for implementation from our external supplier. Engagement with the external supplier is on-going and current expectations are tentatively for a Q1 2024/25 delivery.

68 Restructuring within the service has faced further delays due to job evaluation queries and HR resource. Further recruitment to key roles will be necessary before restructure is complete – which may now be pushed into Q1 24/25 and will also be impacted on by financial pressures.

69 Backlog of planning applications is reducing slowly but some sickness and further vacancies has impacted on progress. A backlog funding bid has been successful so additional Capita support should be secured for Q4. Engagement with consultees on applications and s106 is largely complete. Validation checklist work to go to consultation and forward to adoption in Q4. S106 audit work progressing well with several recommendations completed and further work to be largely completed by end of Q4. Further progression and timeframes on the remaining

Modernisation Plan recommendations are dependent on resolution of priorities described above.

Highways and Transport Committee

70 The Highways and Transport Committee have no strategic risks at this time but this remains under on-going review. The impact of the cancellation of the HS2 project has been picked up in the MTFS risk.

Wholly Owned Company Risk Registers

ANSA – See Part 2

Orbitas

71 Orbitas uses a similar scoring methodology for assessing their risks as the Council. With both impact and likelihood being scored from 1 to 4, giving a total score out of 16. Full details of the register and methodology as supplied by Orbitas can be found in Appendix C.

72 A summary table of the risks, including gross and net scores for each risk as at Q3 2024 is shown below.

Table 3

Risk Description	Q3 2023/24 Gross Score	Q3 2023/24 Net Score
Pandemic Event	8	6
Financial Failure	8	4
General regional economic problems	4	4
Loss of core contracts	6	3
New competitors / options leading to reduced market share	9	6
Local Government spending constraints	12	9
Failure to attract investment for business development	9	6
Legislative change affecting Council-owned companies	6	3
Political change via general and local elections	4	4
Failure to meet political aspirations	12	8
Reputational damage for the Company or shareholder	6	3
Loss of confidence in the Company, Board or key Personnel	12	8
Industrial action	4	2
Failure to recognise and recruit the necessary skills	6	4
Major H&S issue	9	3
Quality issues	9	3

GDPR issues / data breach	6	3

Tatton Park Enterprises

73 Tatton Park Enterprises (TPE) uses an older CE scoring methodology for assessing their risks. As the methodology remains largely comparable the updating of this is not a priority. Full details of the register and methodology as supplied by TPE can be found in Appendix D.

A summary table of the risks, including gross and net scores for each risk as at Q3 2024 is shown below.

Table 4

Risk Description	**Q3 2023/24 Gross Score**	**Q3 2023/24 Net Score**
Gradual decline in turnover results in failure to hit annual budget contribution to the Tatton Park revenue account affecting the Park's financial performance.	9	6
Factors affecting Front of House staff and poor operational Service delivery causing lack of repeat business from customers resulting in financial targets being missed.	6	3
Natural calamity affecting the Park being able to open, and therefore may be closed for a period exceeding a day, e.g. Foot and mouth epidemic resulting in financial targets being missed.	9	6
Temporary service closure through interruption to catering provision by external factors e.g. Power Failure resulting in financial targets being missed.	6	3
Lack of correct Insurance cover and limits placed on operational liabilities causing potential liability to both Tatton Park and Cheshire East Council resulting in financial targets being missed or additional contributions required from CEC	4	2
Physical operational risk and security of contents within both the Stables and Gardeners Cottage facilities resulting in loss of ability to provide an operation.	4	2
Poor food or service provision leading to potential closure of one or both outlets, or poor public reviews, leads to reputational damage to both TPE Ltd, Tatton Park and CEC with possible damage payments due.	9	6

Risk Description	Q3 2023/24 Gross Score	Q3 2023/24 Net Score
Bout of food poisoning (or similar) from one of the two catering outlets causing temporary closure leading to reputational damage to both TPE Ltd, Tatton Park and CEC with possible damage payments due.	12	8

Emerging Issues

74 Whilst the Corporate Policy Committee will receive the Quarter 4 update at the 13th of June 2024, meeting, there are emerging indications for that update.

(a) An increase in the Local Planning Authority Modernisation Plan risk due to the loss of capacity caused by the Interim Director of Planning moving to a new role at another organisation and other issues referenced this quarter.

(b) The inclusion of a Protecting Vulnerable Children risk; there will also be a risk in relation to failing deliver the action plan required from the Council's recent inspection of Local Authority Children's Services (iLACS) from Ofsted.

(c) Clarification around the net zero target and its funding, possible decrease if the timescales are moved back but also a possible further increase if the target is kept the same.

(d) Possible inclusion of risks reflecting the remit of the Highways and Transport Committee and a more general review of the Place risks.

(e) Consideration of further senior leadership changes on Leadership Capacity and Ability to achieve Organisational Change.

Consultation and Engagement

75 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.

Reasons for Recommendations

76 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.

Other Options Considered

77 No alternative options considered; this is an assurance update report to support the Committee in meeting its responsibilities under its Terms of Reference.

Implications and Comments

78 Monitoring Officer/Legal

There are no direct legal implications arising from the recommendations of this report. This report to 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.

79 Section 151 Officer/Finance

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. The risk to the Council of failing to achieve savings identified in the MTFS has been identified as an emerging risk.

80 Policy

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.

An open and enabling organisation	**A council which empowers and cares about people**	**A thriving and sustainable place**

81 Equality, Diversity and Inclusion

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

82 Human Resources

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

83 Risk Management

This report relates to overall risk management and provides the 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.

84 Rural Communities

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

85 Children and Young People including Cared for Children, care leavers and Children with special educational needs and disabilities (SEND)

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

86 Public Health

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

87 Climate Change

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 josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix A - A&G Q3 Strategic Risk Assurance Appendix B (Part 2) - A&G Q3 ANSA Risk Assurance Appendix C- A&G Q3 Orbitas Risk Assurance Appendix D - A&G Q3 TPE Ltd Risk Assurance

Background Papers:	n/a

Strategic Risk Summary – Changes in Net Scores Q3 2023/24

Ref	Risk	Q2 Net	Q3 Net	Travel	Target
SR01	Increased Demand for Adult's Services	12	12	↔	9
SR02	Fragility and failure in the Social Care Market	9	9	↔	9
SR03	Complexity and Demand for Children's Services	12	12	↔	12
SR04	Dedicated School Grant Deficit	16	16	↔	12
SR05	Delivery of the JTAI improvement plan	9	6	↓	6
SR06	Failure to Achieve the MTFS	16	16	↔	9
SR07	Leadership Capacity	12	12	↔	8
SR08	Ability to Achieve Organisation Change	12	12	↔	8
SR09	Recruitment & Retention	9	9	↔	9
SR10	Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks	12	12	↔	8
SR11	Failure to Adhere to Agreed Governance Processes	9	9	↔	6
SR12	Stakeholder Expectation & Communication	12	12	↔	9
SR13	Information Security and Cyber Threat	12	12	↔	12
SR14	Business Continuity	9	9	↔	6
SR15	Capital Projects - Place	8	8	↔	8
SR16	Failure of the Local Economy	12	12	↔	12
SR17	Climate Change (CEC Carbon Neutral Status 2025)	9	12	↑	9
SR18	Local Planning Authority Modernisation Plan	9	9	↔	6

Strategic Risks Heat Map Q3 2023/24

Likelihood				
4 (>75%)	4	8	SR13, SR17 12	SR04, SR06 16
3 (40-74%)	3	6	SR02, SR09, SR11, SR14, SR18 9	SR01, SR03, SR07, SR08, SR10, SR12, SR16 12
2 (10-39%)	2	4	SR05 6	SR15 8
1 (<10%)	1	2	3	4
	1 (Minor)	2 (Tolerable)	3 (Serious)	4 (Major)

Impact

12 - 16	Critical Risks - Only acceptable in the short to medium-term, requires immediate action implementing and close monitoring
8 - 9	Material Risks - Areas of concern, but due to capacity and or uncontrollable external factors, these can be accepted. Expectation is that these must be actively managed with on-going monitoring to ensure they don't escalate
3 - 6	Moderate Risks - Acceptable level of risk only requiring on-going monitoring to ensure they don't develop into something more serious
1 - 2	Negligible Risks - Lowest level of risk, only kept in the register for completeness and to ensure there are no unexpected changes in the profile

Individual Risk Details – Q3 2023/24

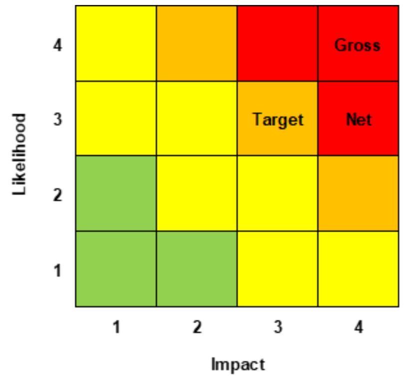
Risk Name: Increased Demand for Adult Services		**Risk Owner:** Executive Director of Adults, Health, and Integration
Risk Ref: SR01	**Date updated:** 7th February 2024	**Risk Manager:** Director of Adult Social Care Operations

Risk Description: An increase in demand for adult social services that cannot be met within the existing budget.

There is currently a historically high demand for services from young adults right through to the elderly. This has been caused by an overall decrease in national adult health and wellbeing and other socio-economic factors.

Detailed consequences; a failure in one area of social care, either internal or external to the council, has knock-on effects and increases pressure on other services. This can cause an on-going downwards trend in adult health and wellbeing. In addition, the council may fail in its duty of care and its objective of supporting its most vulnerable individuals. Specific failures that have been seen are a reduction in preventative measure and early intervention, which ultimately increase demand. Increased pressure on practitioners causes stress related issues and reduces the appeal of working in the sector.

Detailed causes; due to the additional wellbeing pressures placed on residents, council staff, third-party providers and the NHS, the volume and complexity of demand for adult services has increased materially. As have political factors such as changes in legislation and resettlement agreements. Due to several different socio-economic factors recruitment and retention of staff is difficult resulting in increased use of agency staff.



Interdependencies (risks): Failure of Council Funding, Fragility in the social care market, Failure of the local economy, Organisational capacity and demand

Lead Service Committee: Adults and Health Committee

Key Mitigating Controls (Existing):

- Delivery of market engagement events, keeping providers / people informed of preventative change resulting from the People Live Well, for Longer Transformation Programme.
- Contracts and Quality Monitoring Policy Framework, monitoring the user outcomes that partners are delivering. This helps to inform the managed decommissioning of services, in an effort to reduce service disruption. Maintaining a provider risk register with the Care Quality Commission to ensure market oversight. A standard set of fit for the future contracts, designed to ensure quality outcomes for users and ensure provider's business models remain sustainable as demand changes.
- Monthly quality monitoring partnership forum that reports to relevant DMTs and the Safeguarding Board. Attendees include the Police, Safeguarding, Care Quality Commission, ASC operations, Legal, CCG's and ASC lead commissioner.
- People Helping People programme, working collaboratively with partners and local volunteers to channel community-based support, reducing demand on adult social care. The sourcing/brokerage team support the co-ordination of these services, helping vulnerable people to access non-council support where appropriate.
- Direct payment scheme, allowing users identify and manage their own care support.
- The preventative policy framework standardises the approach to prevention across adult social care "front door. When appropriate, directing users to approved community solutions, which can provide non-traditional benefits to those individuals and help maintain their independence.
- Annual financial and resource planning by ASC services, considering expected demand, funding, the local social care market and other socio-economic trends.
- Regular service/team meetings to disseminate information and discuss operational issues.

- Involvement in the North West regional and local programme of work pertaining to health and care staff recruitment, retention, and selection – resulting in a robust career path being developed with key partners and in being clear pertaining to local strategy.
- Collaborative working with other services, such Public Health, where objectives align and communication is required to delivery value for money. Utilisation of Public Health JSNA and wider regional data sets inform future planning. The joint commissioning management monthly working group seeks to ensure ASC is working effectively and efficiently with other Children and Family services.
- Engagement with the Integrated Care Partnership, including health partners.
- Regular ASC reporting to CLT and Adult and Health Committee on performance, expenditure/budget and demand. On-going management of services, based on performance, expenditure/budget and demand management information. Trend analysis used to help predict future demand.
- Engagement with service users, collaboration with Healthwatch and other independent organisations to help drive service improvements and cost savings.
- Business continuity assessments and resiliency preparation, both internally and with key partners.
- Implementing recommendations of independent review. All care plans presented to Senior Leasers board for authorisation of spend.
- Tighter controls on hospital discharge will impact relationship with CB colleagues.
- 3 times weekly Quality, Performance and Authorisation Board to review every request for care, since the start of this regime over 2000 cases have been reviewed to ensure that the package of care is effective and efficient.
- Weekly Extended leadership meeting to review budget, spend and activity.

Actions (Monitoring):	**Target Date for Completion:**
Implementation of Impower Consulting review (Weekly CEBERT meetings)	Q4 2023/24

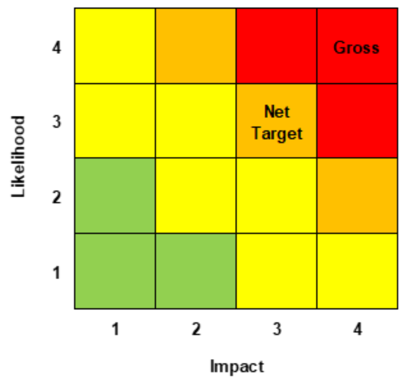
Comments this quarter: The implementation of the Quality, Performance and Authorisation Board ensures that every request for care is reviewed by Director and Senior Managers together with commissioners and brokerage staff. This has ensured that all care requests are effective and as efficient as possible and has also highlighted where providers appear to be charging for services not delivered. During Q2 we have continued to see a high level of complexity, particularly for transition cases and mental health; we believe that this is due in part to the change in process from Health and the closure of Independent Hospitals. We are now providing care to a higher number of individuals who are in their late 90s and early 100’s year old.

Timescale for managing risk to an acceptable level: The outcomes from the work commissioned with Impower is being actioned via HLBC, we are monitoring all support and care plans and calls for services on a 3x per week basis, Director is monitoring approx150 cases per week. Demand is constant especially for those who are 90+yrs, and for those with dementia. Cost of individual care packages remains very high with an increasing number£2000 per week.

<table>
<tr><td colspan="2">Risk Name: Fragility and Failure in the Social Care Market</td><td>Risk Owner: Executive Director of Adults, Health and Integration</td></tr>
<tr><td>Risk Ref: SR02</td><td>Date updated: 5th February 2024</td><td>Risk Manager: Director of Adult Social Care, Director of Commissioning</td></tr>
<tr><td colspan="2">Risk Description: A failure of the local social care market.

Increases in the volume and complexity in demand and financial pressures have caused weaknesses in the national social care market which have yet to be resolved.

Detailed consequences; the council is unable to deliver a robust adult social care package without the use of third-party providers, without these outsourced services the overall social adult care package would fail and the council would not be able to achieve its objective of people living well and for longer.

Detailed causes; the major risk going forward is the financial impacts on providers resulting from the 9.8% uplift in National Living Wage from April 2023, high rates of inflation and increased energy costs (some providers have seen a 400% increase on renewal of their energy contracts). The current financial position of the local authority precludes it from uplifting care fees for all care contracts in 2024/25. It is likely that this will impact on the sustainability of some care providers and result in some packages of care being handed back to the Council or notices served on care home residents. This could lead to a need to increase the use of care providers who have not been through a formal tendering process which in some cases could result in higher costs and/or poorer quality. While due diligence is undertaken for these providers, some providers do not fully co-operate with this process. It will also bring challenges in managing budgets in 2024/25.</td><td>
</td></tr>
<tr><td colspan="2">Interdependencies (risks): Failure to Achieve the MTFS, Business Continuity, Failure of the Local Economy</td><td>Lead Service Committee: Adults and Health Committee</td></tr>
<tr><td colspan="3">Key Mitigating Controls:
Contracts and Quality Monitoring Policy Framework, monitoring the user outcomes that partners a delivering. This helps to inform the managed decommissioning of services, in an effort to reduce service disruption. Maintaining a provider risk register with the Care Quality Commissioning to ensure market oversight. A standard set of fit for the future contracts, designed to ensure quality outcomes for users and ensure provider's business models remain sustainable as demand changes.
Increasing the robustness of due diligence on care providers who have not been through a formal tendering process.
Comprehensive cost of care exercise to be undertaken with all care providers to ensure that care packages are sustainable and available resources are distributed fairly.
Delivery of market engagement events, keeping providers / people informed of preventative change resulting from the People Live Well, for Longer Transformation Programme.
The preventative policy framework standardises the approach to prevention across adult social care "front door. When appropriate, directing users to approved community solutions, which can provide non-traditional benefits to those individuals and help maintain their independence.
Annual financial and resource planning by ASC services, considering expected demand, funding, the local social care market, and other socio-economic trends. Development and publication of the Market Sustainability Plan. Completion and submission of the Cheshire East Market Availability and Capacity Plan to DHSC.
Involvement in the North West regional and local programme of work pertaining to health and care staff recruitment, retention, and selection – resulting in a robust career path being developed with key partners and in being clear pertaining to local strategy.
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</table>

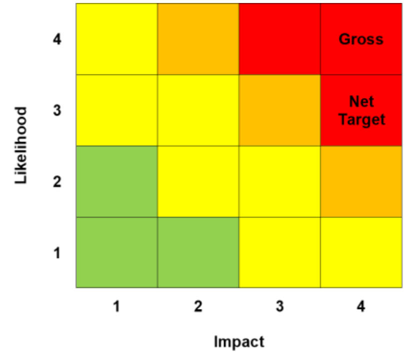
- Worked with former Cheshire CCG into the development of ICS and ICP plans. Engagement with the Integrated Care Partnership, including health partners. The Quality Monitoring Partnership Forum and Care at Home Commissioning meeting, both meet once a month.
- Update of the joint Market Position Statement with ICS to ensure that care providers receive timely information about commissioning intentions.
- Regular ASC reporting to CLT and Adult and Health Committee on performance, expenditure/budget and demand. On-going management of services, based on performance, expenditure/budget and demand management information. Trend analysis used to help predict future demand.
- Engagement with service users, collaboration with Healthwatch and other independent organisations to help drive service improvements and cost savings.
- Business continuity assessments and resiliency preparation, both internally and with key partners.
- The Council is working with skills for care to see what support it can give to the market in terms of recruitment and retention and build knowledge. Providers have access to recruiting staff from abroad if there isn't a sufficient supply available locally. Development of a Workforce Strategy for the external care workforce.
- Investigation and investment into new health and care technologies. Use of new technologies to be driven by considering performance, capacity, and value for more against more traditional methods.
- A Joint CEC/ICB Market Oversight Group meets daily to ensure that the Council is obtaining best value for care home placements and making best use of block booked care home beds.
- A Transfer of Care Hub has been set up in both hospitals with key staff from CEC and Hospital Trusts co-located to improve joint working and ease pressures on hospital discharge.
- Commissioners undertake Market Engagement activities with Care at home Providers to Coproduce new models of care. Joint working with 'Skills for Care' to encourage individuals to take up employment within the care sector. 'Hidden Carer's' initiative launched through Carer's Hub to help identify and support carers not known to the system.
- Low level support for the British Red Cross who respond to crisis situations in the community.

Actions (Monitoring):	**Target Date for Completion:**
Develop engagement with community groups and 3rd sector (VCFSE Project Group, monthly and Commissioning SMT, weekly)	December 2023
Commissioning of Care Cubes (Monthly DMT)	March 2024

Comments this quarter: Capacity in the care market continues to be healthy, however, a major risk will be the planned 9.8% uplift in National Living Wage from April 24. This is leading to an increase in requests for fee uplifts from care providers on average around 10%. We are seeing some quality challenges and an increase in whistleblowing resulting from care workers being added to the Shortage Occupation list for international recruitment. We are also seeing some market disruption including a non-commissioned care provider that folded prior to Christmas and care businesses being sold to other providers. We are in the final stages of commissioning the Care Cubed tool which will enable us to undertake a comprehensive review of care fees.

Timescale for managing risk to an acceptable level: N/A (Net score is equal to target). To a certain extent the risk is outside the Council's control as there is a reduced pool of people who wish to work in Social Care. However the Government has just announced additional funding for recruitment and retention in the care sector and it is hoped that this could mitigate the likelihood and impact of the risk. It is anticipated that this would be by end of Q4.

<table>
<tr><td colspan="2">Risk Name: Complexity and Demand for Children's Services</td><td>Risk Owner: Executive Director of Children's Services</td></tr>
<tr><td>Risk Ref: SR03</td><td>Date updated: 1st February 2024</td><td>Risk Manager: Children's Services Directorate Leadership Team</td></tr>
<tr><td colspan="2">Risk Description: That Cheshire East's local social, economic and demographic factors, including the impact of the pandemic, lead to an increase in the level and/or complexity of need and demand for children's services, which the council cannot meet effectively. This risk would mean that we would not achieve the council's desired outcomes for children and young people as set out in the council's Corporate Plan.

The service received growth through the MTFS to help address the pressures but the challenge to deliver to budget remains present in 2023/24. Significant action is still required to deliver savings to live within the budget as all indications are that demand, complexity and cost will continue to increase.</td><td>
</td></tr>
<tr><td colspan="2">Interdependencies (risks): Increased Demand for Adult Services, Insufficient and Non-Compliance with Financial Processes, Organisation Capacity and Demand, Failure to Achieve the MTFS, Failure of the Local Economy</td><td>Lead Service Committee: Children and Families Committee</td></tr>
<tr><td colspan="3">Key Mitigating Controls:

The service has received growth through the MTFS in 2023/24 to help address the pressures. This includes growth for children's social care in response to the demand. Additional growth to address budget pressures within services has been proposed in the MTFS consultation for 2024/25, including £10.8m to address placement costs for children.
Extensive activity is taking place to manage and reduce costs. A fundamental review and realignment exercise for children's services will be carried out to future-proof services to deliver differently for less as part of our integrated children's services 4-year strategy.
We are closely monitoring the demand to services and the reasons that are driving demand so that we can be responsive and mitigate any risks to service delivery. Performance is monitored on a monthly basis by services.
We have a range of support available to families through early help and prevention services, including council, partner, voluntary, community, faith sector and commissioned services. These services support families and help prevent needs from escalating and requiring higher level intervention.
Our approach is to ensure only the right children come into care; this is right for children and young people and will also reduce demand to Children's Social Care services, however this is a challenging landscape. Increased demand for placements since the pandemic has increased placement costs which is impacting on the budget. We will continue to review our approach, and look to identify options for children to live within their family networks as we believe this is the best outcome for them. We have been successful in gaining DfE funding for innovation and supporting family networks which will increase opportunities for children to remain living in their families. At the end of Q3 we had successfully reduced the number of children in care by 9%, from 586 children in April 2023 to 533 in December 2023.
We are continuing to support children and young people who are most vulnerable through the Household Support Fund and the Holiday Activity Fund. Vouchers worth £4m were distributed on behalf of the Department of Work and Pensions over 2022/23 to support the most vulnerable households across the county with food, utilities, housing costs, and other essentials.
A workforce strategy has been developed for children's social care to support recruitment and retention as we know the quality and stability of our workforce is critical in offering strong support and enduring relationships to children and their families.
</td></tr>
<tr><td colspan="2">Actions (Monitoring):</td><td>Target Date for Completion:</td></tr>
</table>

A fundamental review and realignment exercise for children's services will be carried out to future-proof services to deliver differently for less as part of our integrated children's services 4-year strategy (Progress will be monitored through the MTFS arrangements)	March 2027
Expanding our in-house residential provision to offer more local and cost-effective homes for children and young people (Children's social care senior leadership team to monitor progress)	February 2024
Implement Family Hubs – improving access and reach of services, supporting earlier intervention, and improving partnership working (Family Hub Steering group)	March 2024
Build additional funding into the budget for 2023/24 to recognise current pressures (To be agreed by Full Council in February 2024)	February 2024

Comments this quarter: No change to the net rating, it remains 12, a material risk, equal to the target score. Additional growth to address budget pressures within services has been proposed in the MTFS consultation for 2024/25, including £10.8m to address placement costs for children.

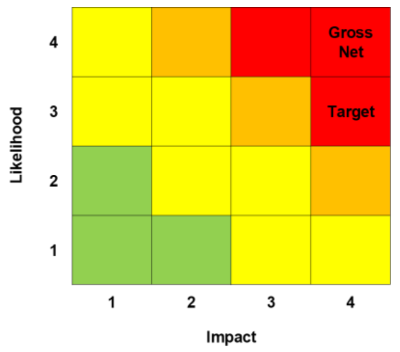
Our first children's home is due to open in early February 2024 - the home is awaiting its registration visit from Ofsted. We have recruited a full staff team and have built all the new systems, processes and training to enable us to grow our homes at pace moving forward. This will provide our cared for children with more opportunities to remain close to their communities and will provide better value for money against rising placement costs. A new sufficiency strategy on how we will develop placement options for children and young people will be received by the Children and Families Committee in February 2024.

Our new family group conferencing service will launch in February 2024. This service supports families and their wider support networks to create and deliver plans to support children and keep them safe, and will support families to sustain changes long-term, preventing children from needing a service in future. Where children can't live with their parents, family group conferencing can support children to be cared for by a person they already know, which is better for children and young people, and avoids high cost placements.

Timescale for managing risk to an acceptable level: March 2026. The integrated children's services strategy is a 4-year plan. We aim to see an incremental reduction in the risk as we implement our strategy with aim to be at a low level of risk by 2026.

<table>
<tr><td colspan="2">Risk Name: Dedicated School Grant Deficit</td><td>Risk Owner: Executive Director of Children's Services</td></tr>
<tr><td>Risk Ref: SR04</td><td>Date updated: 1st February 2024</td><td>Risk Manager: Children's Services Directorate Leadership Team</td></tr>
<tr><td colspan="2">Risk Description: That the deficit held in the dedicated schools grant (DSG) continues to rise and/or is not recoverable.

The council's outturn for 2022/23 reflects a deficit of £46.9m held in the dedicated schools grant (DSG) reserve. The DSG reserve deficit is forecast to be over one and a half times the annual allocation at the end of 2023/24, £89.6m based on a grant of £56.1m. This is a result of the growth in the number of pupils with an education, health and care plan greatly exceeding the funding and insufficient local placement options. This is a national issue and local authorities are allowed to hold a negative reserve for this purpose until March 2026, however this position is unaffordable and unsustainable. The arrangements beyond March 2026 are not confirmed by the Department for Levelling Up, Housing and Communities (DLUHC). This risk continues to be a feature of ongoing liaison with the Department for Education and the DLUHC.

The Children and Families Committee approved the council's DSG management plan for 2023/24 to 2027/28 in September 2023. It highlighted that without significant changes to funding the DSG reserve deficit is not recoverable. Significant action is required to deliver savings to live within the budget as all indications are that demand, complexity and cost will continue to increase.</td><td>
</td></tr>
<tr><td colspan="2">Interdependencies (risks): Increased Demand for Adult Services, Insufficient and Non-Compliance with Financial Processes, Organisation Capacity and Demand, Failure to Achieve the MTFS, Failure of the Local Economy</td><td>Lead Service Committee: Children and Families Committee</td></tr>
</table>

Key Mitigating Controls:

- On 7 September 2023, we accepted an invitation from the Department for Education to start negotiations to join their Safety Valve programme, which will provide more help from the government to balance our budget. The aim of the Safety Valve programme is to agree a package of reform to improve the performance of local authorities' high needs systems and ensure this is delivered in a sustainable way, for the benefit of children and young people, whilst bringing DSG deficits under control. We submitted detailed plans to the government in January 2024, negotiations with the Department for Education are ongoing. with any agreement published on their website in March 2024. The plan will be presented to the children and families committee in April 2024.
- The DSG management plan is in place to monitor the impact of demand to SEND services on financial pressures and monitor the delivery and impact of mitigations that have been put in place.
- The council has updated the SEN sufficiency statement for 2023/24 to 2025/26, and the SEND strategy, which were received and agreed alongside the DSG management plan for 2023/24 to 2027/28 by the Children and Families Committee in September 2023. The SEN sufficiency statement sets out the additional provision needed over the next three years. The SEND strategy has been refreshed to include priority actions relating to the mitigations with the DSG management plan.
- The service has received growth through the MTFS in 2023/24 to help address the pressures. This includes growth for school transport, Educational Psychology and SEND services in response to the demand in these areas. Additional growth was proposed in the MTFS budget consultation for 2024/25, including £0.5m to support transformation for SEND, and £0.9m for school transport, reflecting increased demand and increasing costs of fuel and contracts.
- There is significant investment in local SEND provision to meets children's needs more locally but also reduce dependency on high-cost independent school placements.
- We participated in the DfE's delivering better value (DBV) programme to support the council to achieve a more sustainable financial position in relation to SEND. This identified two priority areas of cultural change that will make the biggest difference on managing demand – inclusive practice and transition. Cheshire East has been awarded £1 million to support the delivery of this transformational change. These areas have been incorporated within our SEND Strategy.

- A fundamental review and realignment exercise for children's services will be carried out to future-proof services to deliver differently for less as part of our integrated children's services 4-year strategy.
- We have a range of support available to families through early help and prevention services, including council, partner, voluntary, community, faith sector and commissioned services. These services support families and help prevent needs from escalating and requiring higher level intervention.

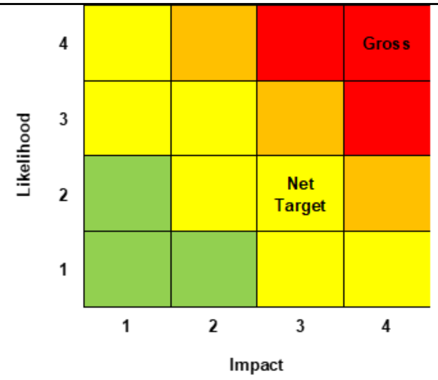
Actions (Monitoring):	**Target Date for Completion:**
A fundamental review and realignment exercise for children's services will be carried out to future-proof services to deliver differently for less as part of our integrated children's services 4-year strategy. (Progress will be monitored through the MTFS arrangements)	March 2027
Delivery of the delivering better value implementation plan (Children's services senior leadership team)	March 2025
Continue to increase SEND provision in Cheshire East (Reviewed quarterly)	September 2024
Implement the Safety Valve plan (Quarterly by the DfE if accepted onto the programme. If not accepted the plan will be monitored internally through a CEX lead board with member involvement).	March 2031

Comments this quarter: On 12 January 2024, we submitted detailed plans to Government, as part of the department for education's (DfE) Safety Valve programme. The plans set out how the council proposed to reform services for children and young people with special educational needs and disabilities (SEND) and achieve a balanced and sustainable dedicated schools grant budget. The Safety Valve programme is in place to provide additional support, including financial support, to councils as they work to reform support and services for children with SEND, to improve sustainability and affordability. Subject to DfE approval, the plan will be published on the DfE website in March.

Additional growth was proposed in the MTFS budget consultation for 2024/25, including £0.5m to support transformation for SEND, and £0.9m for school transport, reflecting increased demand and increasing costs of fuel and contracts. Net risk remains at the highest rating possible.

Timescale for managing risk to an acceptable level: March 2025. We aim to see an incremental reduction in the risk as we implement our plan. By the end of March 2025, we aim for the risk to be reduced to a score of 12, then to see this continue to reduce over the following years with aim to be at an acceptable level of risk by 2026.

<table>
<tr><td colspan="2">Risk Name: Delivery of the JTAI Improvement Plan</td><td>Risk Owner: Executive Director of Children's Services</td></tr>
<tr><td>Risk Ref: SR05</td><td>Date updated: 12th February 2024</td><td>Risk Manager: Improvement Board</td></tr>
<tr><td colspan="2">Risk Description: That as a safeguarding children's partnership, Cheshire East Council's children's services, health, and police, do not achieve the improvements needed at the necessary pace to address the recommendations from the joint targeted area inspection (JTAI) of child exploitation, including child sexual exploitation. This would mean that we would not achieve the council's desired outcomes for children and young people at risk of exploitation.

There is also a reputational risk of not delivering the required improvements, as this could result in an inadequate rating by Ofsted. An inadequate rating by Ofsted would have a significant impact on the council's reputation, ability to recruit and retain staff, and would increase costs in order to deliver improvement activity. Significant work is required to deliver these improvements which requires sufficient capacity and resources.</td><td></td></tr>
<tr><td colspan="2">Interdependencies (risks): Increased Demand for Adult Services, Complexity and Demand for Children's Services</td><td>Lead Service Committee: Children and Families Committee</td></tr>
<tr><td colspan="3">Key Mitigating Controls:

We have a comprehensive partnership improvement plan in place to address the recommendations from the JTAI inspection.
An independent scrutineer has provided scrutiny to the partnership. The scrutineer has completed an in-depth review to inform how the partnership is structured and manages its business, including how it evaluates impact. The partnership has agreed the changes that will be made to the Safeguarding Children's Partnership in response to these findings.
Meetings of the Executive Group of the Safeguarding Children's Partnership have been increased to bi-monthly from quarterly to support increased pace of change.
An Executive Board is in place which consists of the Chief Executive of the council, Chief Constable and Chief Nurse, which scrutinises partnership progress against the improvement plan.
An Improvement Board is in place with an independent chair – our DfE Improvement Advisor, for additional scrutiny and challenge of the improvement plan.
A strategic improvement group is in place which is focused on delivery of the improvement plan. DfE Improvement Advisor meets with senior leaders and conducts visits to frontline services to evaluate the impact of changes, and supports and advises senior leaders. Reviews of progress take place with the DfE.
External support and challenge is in place from the DfE Improvement Advisor, who meets with senior leaders and conducts visits to frontline services to evaluate the impact of changes, and supports and advises senior leaders. Reviews of progress take place with the DfE.
On 3 May 2023, the JTAI Improvement Board agreed that the priority action around the front door had been addressed and the immediate action taken during the inspection had been embedded within practice. This was a significant milestone.
Significant amount of awareness raising has taken place across the partnership on exploitation, including a partnership Exploitation Conference with national keynote speaker, and training sessions delivered over a partnership learning week in January 2023.
We have launched an Exploitation Strategy, practice guidance, and training for frontline practitioners. This all ensures there is a clear partnership approach to supporting children and young people at risk of exploitation.
There is a shared understanding of the children and young people who are at risk of exploitation across the partnership.
There has been a multi agency audit of practice are completed for children at risk of exploitation to evaluate the impact of changes on quality of practice.
New multi agency safeguarding arrangements have been approved at Committee level. The new arrangements and the terms of references have been discussed at length at the Bi – Monthly Executive Board.
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</table>

- Quarterly reports are developed through the Learning and Improvement subgroup and the CS/SOC Strategic group to provide the direct line of sight from practitioners to Executive members.
- Voice of the child continues to be heard at every Executive Board and Improvement Board.

Actions (Monitoring):	**Target Date for Completion**
Deliver the improvement plan and scrutinise impact on outcomes for children and young people at risk of exploitation (Bi-Monthly by the Improvement Executive Board)	November 2023
Complete an audit of children at risk of exploitation to evaluate the impact of changes on quality of practice (Safeguarding Children's Partnership Executive to ensure achieved by the completion date)	July 2023
Implement new Multi Agency Safeguarding Arrangements in line with the Independent Review (Bimonthly by the Improvement Executive Board)	January 2024
11 month review of the JTAI Improvement plan (Bimonthly by the Improvement Executive Board)	December 2023

Comments this quarter: There was an 11- month JTAI Improvement plan review on 18th December 2023 and the outcome letter detailed as follows:

"Overall, the Council has made positive progress in improving the quality of multi-agency safeguarding practices since June 2023. The transformation required is now well understood and leadership teams have implemented many necessary changes to strengthen culture and performance. Focus groups, at all levels, reported that a culture of high-support-high-challenge is now embedded into practice, which has created a range of benefits including improved timeliness in responding to the needs of vulnerable children, improved information sharing and greater accountability across agencies.

We were impressed with the strides that the Council and partners have made in implementing a child-centred approach to safeguarding vulnerable children. Staff spoke confidently about creating a safe environment for vulnerable children by prioritising activities to build a trusted relationship and by working creatively with other practitioners to provide a wrap-around service. For example, social workers are now acknowledging a child's friendship group and connecting with other relevant social workers to build a broader network of support for children.

The themes raised across all feedback groups were consistent and a sign of genuine change within Cheshire East's children's services. While it is recognised that there are still improvements to be made, the leadership team seem much clearer on the Council's and partnership's direction of travel than they were in the review in June 2023. Overall, we were presented with an improving picture of Cheshire East's multi agency response to the criminal exploitation of children. It is clear that the local authority has, along with partners, undertaken a great deal of work to target those areas identified at the JTAI inspection and at the Department's six-month review. The Department is satisfied that systems and processes are in place to protect children who are at risk of, or are victims of, criminal and sexual exploitation and leaders are clear on their priorities to ensure the service continues to build on these foundations. As such, we are content to step down the specific JTAI related monitoring, provided that the Council maintain a tight grip on services and maintain the progress made so far."

Moving forward, we will be transferring to a more general risk of protecting vulnerable children. The scrutiny and monitoring will continue through the new partnership arrangements.

Timescale for managing risk to an acceptable level: January 2024 This risk can be managed to an acceptable level if our improvement plan achieves the impact on practice that we are anticipating.

Risk Name: Leadership Capacity

Risk Owner: Chief Executive

Risk Ref: SR07

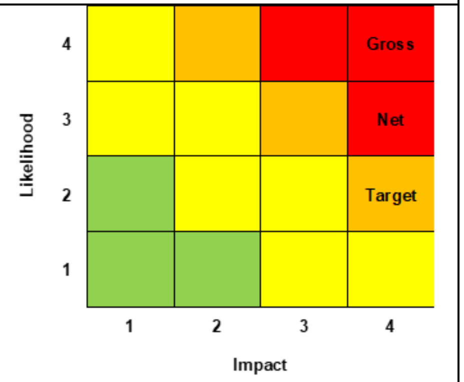
Date updated: 16th February 2024

Risk Manager: Chief Executive

Risk Description: The risk that the council's leadership team in not operating effectively enough and does not have the capacity to manage the full breadth of its responsibilities to an acceptable level. Due to the nature of the ownership and management of this risk must sit with the Chief Executive. A level of resource stretch can be maintained for a period, however ultimately resource and workload must be balanced otherwise structural weaknesses will develop into operational failures.

Potential impacts: Without effective leadership areas or all of the council's operational could become inefficient, exceed annual budgets, fail to meet agreed performance targets or regulatory obligations.

Drivers of likelihood: Currently the leadership team is going through a period of change, carrying a number of temporary appointments and individuals covering multiple roles as part of acting up.



Interdependencies (risks): All other strategic and operational risks.

Lead Service Committee: Corporate Policy Committee

Key Mitigating Controls:

- Council Constitution and decision-making structure, including the Committee system and defined terms of reference.
- Corporate Plan and Annual Service Plans.
- Support from Governance functions.
- Leadership team recruitment processes, including skills and experience requirements.
- Leadership team performance management processes.
- Organisation structure and internal reporting.

Actions (Monitoring):	Target Date for Completion:
TBC	TBC

Comments this quarter: no change to the risk rating at this time. Recruitment processes for the appointment of a new Chief Executive were undertaken in the quarter – with the new Chief Executive being appointed at Full Council on 13th December. The Executive Director of Place resigned from the organisation in October 2023; interim arrangements whereby the Director of Growth and Enterprise is also acting up to the Executive Director Place role continue. Corporate Leadership capacity is recognised as a significant governance issue in the 2022/23 draft Annual Governance Statement.

Timescale for managing risk to an acceptable level: TBC

Risk Name: Ability to Achieve Organisation Change

Risk Owner: Director of Policy and Change

Risk Ref: SR08

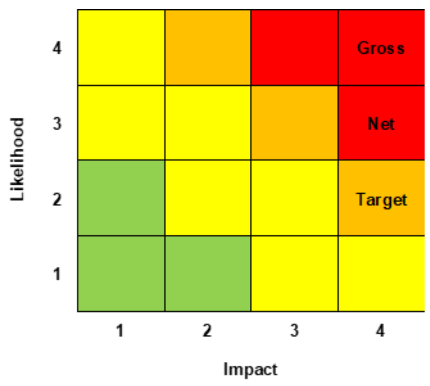
Date updated: 16th February 2024

Risk Manager: Director of Policy and Change

Risk Description: The risk that the council is unable to achieve organisational change due to a lack of resources and capacity to focus on transformation as people focus on the delivery of business as usual. Recently received advice from government commissioners advised that organisational change capacity is a key ingredient to support the council in delivering transformation to achieve medium to long term change that will support achievement of savings and also, in the event of a section 114 notice being issued, organisational change capacity is also essential to deliver necessary actions arising from interventions.

Potential impacts:
The council is required to deliver transformation activity at pace in order to balance the budget and avoid section 114. If a section 114 notice is issued and commissioners intervene, the council bears their costs. These costs are estimated at up to £200K per commissioner and there are usually 2-6 commissioners, for a period of up to 5 years. Therefore it is more prudent to ensure that there is capacity for organisational transformation to avoid more significant costs and reputational damage.

Drivers of likelihood:
A focus on delivery of frontline and statutory services and a de-prioritisation of corporate, enabling functions. A lack of clear governance and oversight of delivery of transformation. No clearly identified medium- and long-term transformation programme. Failure to recruit and retain individuals for senior management positions. Failure to identify and implement required change initiatives effectively and in a timely fashion. Failure to oversee efficient and effective operations, including dealing with poor performing individuals and to communicate and motivate the wider workforce.



Interdependencies (risks): Recruitment and Retention, Failure to Achieve the MTFS

Lead Service Committee: Corporate Policy Committee

Key Mitigating Controls:

- A “doing things differently” initial list of change proposals has been collated and is being discussed with members.
- A weekly CEBERT meeting is in place with Senior Level Membership to review the activities required to meet budget savings targets.
- A Bright Ideas scheme is in operation to enable the workforce to contribute their ideas for transformation.
- A new Corporate Plan has been consulted on to clarify the vision and priorities for Cheshire East.

Actions (Monitoring):	Target Date for Completion:
Strategic CLT discussion planned on structure necessary to achieve transformation.	TBC
Planned to replace Director of Policy and Change, potentially with a Transformation Director.	TBC
Medium to Long Term Transformation Plan to be developed.	TBC

Comments this quarter: No change to the risk rating at this time. Corporate Plan engagement and development activity continued in the quarter, concluding in December 2023. The new Chief Executive has been recruited and appointed at Council in December 2023. The Director of Policy and Change resigned during the quarter, so ownership of the risk has transferred to the incoming Chief Executive and will be subject to further development and review in Quarter 4.

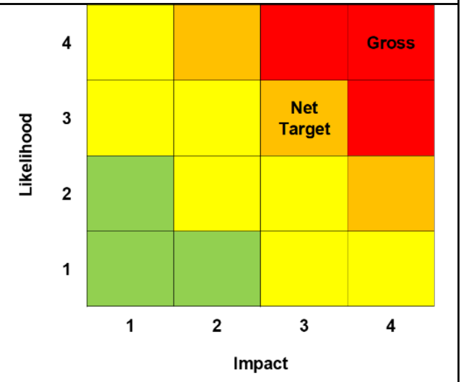
Timescale for managing risk to an acceptable level: TBC

Risk Name: Recruitment and Retention		**Risk Owner:** Director of Finance & Customer Services
Risk Ref: SR09	**Date updated:** 23rd January 2024	**Risk Manager:** Head of HR

Risk Description: Recruitment and retention of skilled and motivated staff is required to allow the organisation to deliver its Corporate Plan. Achievement of the plan requires operational changes which allow the council to adapt and improve.

Impact of the risk occurring:
High staff turnover and, or skills shortages, insufficient capacity within services. Failure to achieve annual budget and a detrimental impact upon the physical, emotional, and mental wellbeing of staff.

Drivers of failure:
National and local demographics alongside external factors led to increasing and changing demands on services. Increases to the cost of living also present risks to the resilience and wellbeing of our workforce and therefore the capacity to respond to demand.



Interdependencies (risks): Business Continuity, Increased demand for Adults Services, Complexity and Demand for Children's Services	**Lead Service Committee:** Corporate Policy Committee

Key Mitigating Controls:

- Workforce planning is in place via the Council's Workforce Strategy. This is a 4-year strategy with on-going review. Service Workforce Plans are also undertaken on a bi-annual basis to review and support workforce planning on a service-by-service level.
- Benchmarking exercises and workforce metrics are used to identify potential issues and service workforce plans developed as above to mitigate. Work on the refinement of a workforce assessment for the Council has been completed and a monthly workforce dashboard available to identify potential issues. Focused apprenticeship levy funding, specific succession planning and talent management initiatives are used to support high priority areas. This is supported by the introduction of a manager dashboard on Learning Lounge that will help the identification of training and skills gaps.
- HR Dashboards are provided to managers which offer up to date information on key HR Metrics so that managers can monitor performance.
- Recruitment and retention programme has also delivered attendance at a programme of local and regional recruitment fairs, an end-to-end review of the recruitment process, improved recruitment advertising, an employee offer brochure, a review, and the planned implementation of additional employee benefits, a social work academy in Children's Services and the development of additional career pathways. The introduction of employee profile videos on social media and on Cheshire East Council's website to enhance the Council's profile have also been introduced. Further work will be undertaken to streamline the recruitment process to ensure improved efficiency and a better user experience.
- Review of the provision of agency staff, including an audit of spending, to reduce reliance and transition to a more stable permanent workforce base with reduced costs has also been undertaken. The Council will implement the provisions of the Government proposal on capping the pay rates for agency social workers and have also engaged with the proposals for capping agency pay rates for Children's Social Workers as part of the Greater Manchester Pledge.
- Analysis of exit interview and questionnaire data with the relevant Executive Director to support the retention of staff.
- Wellbeing and engagement support, including delivery of EAP services, the introduction of 'In the Know' sessions for all staff, a revitalised recognition scheme, monthly organisation wide wellbeing updates for all staff, and the promotion of the government funded initiative Able Futures.
- Senior manager support in the redesign and restructure of services to meet MTFS targets, including MARS to minimise the impact on the workforce.

Actions (Monitoring):	**Target Date for Completion:**
Development of toolkits to support workforce planning (Quarterly review by HRMT)	March 2024

Introduction of a range of additional employee benefits, enhancing the existing offer (Monthly review by HRMT/Ongoing briefing to CLT on progress and implementation).	June 2024
Continued work on the implementation of social work academies across Children's Services and Adults, Health & Integration (Quarterly review by HRMT/Review with Children's and Adults, Health and Integration).	March 2024
Use Pulse Survey results to gauge employee satisfaction (Reviewed by HRMT and shared with CLT).	June 2024

Comments this quarter: No change to the risk rating at this time. National labour market pressures still exist, particularly in the care, social work, planning and ICT sectors. Local authorities are competing for the same staff, with some offering higher salaries and other benefits not in place at Cheshire East Council. No change to the risk ratings at this time.
As outlined above, a comprehensive programme of work is in place to address these pressures. Much of this work is now 'business as usual' activity, but additional initiatives have also been introduced.

- Work has begun to implement a range of additional staff benefits will support the recruitment and retention of staff, and most of this work should be completed during Quarters 3 and 4.
- Work has continued on the promotion of the Employee Assistance Programme and usage continues to grow.
- A process of office rationalisation has been agreed and these changes are likely to embed and develop the Council's agile working approach, although it may also affect the retention of existing staff, if their work base changes.
- Ongoing work to improve the efficiency of the recruitment process is in place.
- The MARS scheme has been offered again and any staff leaving the organisation, will leave by the end of May 2024. This will enable the Council to re-design services and management structures to improve efficiency, create career development opportunities and reduce costs.

Timescale for managing risk to an acceptable level: N/A

Risk Name: Failure to manage the Consequences of Policy Uncertainty and National Policy Frameworks

Risk Owner: Director of Governance & Compliance (Monitoring Officer)

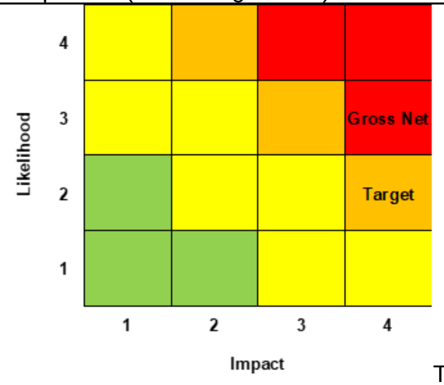
Risk Ref: SR10

Date updated: Risk Refreshed in December 2023

Risk Manager: Director of Governance and Compliance (Monitoring Officer)

Risk Description: The risk that the council cannot adequately understand and react to national policy changes or effectively implement them. The scope of the risk covers all central and local government decisions which relate to the operations of local government.

The Corporate Plan guides the council's decision-making, it informs what is considered a 'good' policy outcome and areas of priority. Political changes may result in stakeholders no longer being aligned with that current plan. Central government policy decisions can materially impact the council in many ways, while other risks might draw out specific changes and capture their direct impact, this risk brings together the total effect of political uncertainty for consideration.



TBC

Interdependencies (risks): Stakeholder Expectations and Communications, Failure to Achieve the MTFS, Failure to Adhere to Agreed Governance Processes

Lead Service Committee: Corporate Policy Committee

Key Mitigating Controls:

- Engagement with national government, consultations and requests for feedback
- Application for and funding agreement processes, governance process for ad hoc grants
- Engagement with political administration of CEBC
- Engagement with group leaders of CEBC parties
- Induction, on-going training and committee briefings for CEBC members
- Service Committee support and briefings for members and senior officers
- Corporate Plan and MTFS regular and ad hoc (post material changes) review process, including contingency planning
- Preparation for elections and promoting engagement in democracy.
- Forward planning for each committee's policy development and areas of political sensitivity
- The development and delivery of the Corporate Plan
- New member induction & training programme

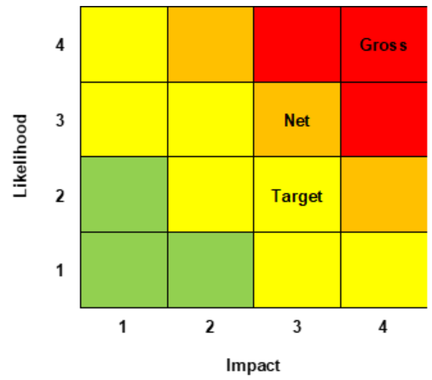
Actions (Monitoring):	**Target Date for Completion**
A review of the Committee briefing process against recognised best practice to identify any potential improvements that may be required	2023/2024
Delivery of DLUHC Productivity Plans (DLUHC)	TBC
Oflog reporting (Oflog)	TBC

Comments this quarter: No change to the net risk score at this time as 2024 is an election year for the Policy and Crime Commissioner and likely a general election, although no specific date has been set for the latter. Awareness and concern about the levels of local government funding has growing nationally, with authorities indicating that they will have to make significant reductions to services to deliver a balanced budget for 2024/25. Together, these factors create political uncertainty at both the local and national levels.

The Department for Levelling Up, Housing and Communities (DLUHC) has created the Office for Local Government (Oflog) to provide authoritative and accessible data and analysis about the performance of local government, and support its improvement. CEC expect to be providing performance data for key metrics to Oflog once those metrics are confirmed. Communities secretary Michael Gove has announced that local authorities will need to set out how they will “improve service performance and reduce wasteful expenditure” in productivity plans as part of an additional £500m in funding for 2024-25 that social care authorities will share. The Department for Levelling Up, Housing & Communities will establish an “expert panel” involving the Office for Local Government and the Local Government Association to review the productivity plans which could inform funding settlements in the future.
Timescale for managing risk to an acceptable level: Controls that mitigate this risk are based on the current landscape and timetable for local and national elections. The ability to manage this risk is not completely within the council’s gift.

<table>
<tr><td colspan="2">Risk Name: Failure to Adhere to Agreed Governance Processes</td><td>Risk Owner: Director of Governance and Compliance (Monitoring Officer)</td></tr>
<tr><td>Risk Ref: SR11</td><td>Date updated: 1st February 2024</td><td>Risk Manager: Director of Governance and Compliance (Monitoring Officer)</td></tr>
<tr><td colspan="2">Risk Description: The council is a complex public sector organisation with a broad range of objectives, some of which it is legally obligated to deliver, its goals for the borough are identified within its Corporate Plan. Formal reporting and decision-making within the council is, to a degree, prescribed by local authority regulation. The decision-making process at all levels, must comply with regulatory requirements while also delivering those stated goals.

Detailed consequences: Robust governance requires clear aims and policy objectives and identified and delivered. Governance processes should facilitate the lawful delivery of those objectives and prevent the misapplication of resources in achieving other goals. Ultimately this can result in a reduction of living standards and physical health and mental wellbeing of residents. Failure to provide a reasonable level of service to residents at an appropriate cost, or to follow legal decision-making protocols, can result in increased regulatory scrutiny and reputational damage. Possible outcomes of which may be, public censure, financial penalties or direct central government intervention.

Detailed causes: The volume and complexity of the council's services and objectives, coupled with finite resources and differing stakeholder views, make the application of the Corporate Plan into 'good' decision-making, a challenge. Examples of governance failures are:
Variations in interpretation and non-compliance with agreed process and internal controls.
Deviation from core objectives as result of prioritising presenting issues.
Failure to allocate limited resources in line with the requirements of agreed objectives.
Inadequate internal controls across the organisation or vertically with a directorate.</td><td>
</td></tr>
<tr><td colspan="2">Interdependencies (risks): Failure to Achieve the MTFS, Stakeholder Expectation & Communication, Leadership Capacity, Ability to Achieve Organisation Change, Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks</td><td>Lead Service Committee: Corporate Policy Committee</td></tr>
<tr><td colspan="3">Key Mitigating Controls:
Council's Constitution covers decision making processes, including finance and contract procedure rules. The Constitution is reviewed and amended on an on-going basis to ensure legal compliance and operational continuity. Following the adoption of the Committee system, mechanisms were put in place to capture Member's feedback and are reported to the (Constitution Working Group). The number, nature and terms of references of the Committees are assessed on an on-going basis, with refinements being implemented via full council decision.

Constitution is a publicly available document; guidance on the use of the decision-making processes is provided by enabling services including Legal, Finance, Democratic Services, and Audit and Risk. Constitutional updates are overseen (recommended and administrated) by the Director of Governance and Compliance (also the Monitoring Officer) in response to regulatory changes and Full Council decisions.

Administration of local, regional and national elections and monitoring of behaviour in the period of heightened sensitivity beforehand. During which time, appropriate adjustments are made to the publishing or reporting of controversial issues or anything that seeks to influence voters.

Reports to Committees are developed and reviewed by senior officers and enabler sign off, briefings are arranged with Committee Members to address any further knowledge requirements ahead of the relevant meeting. All decisions are formally recorded in meeting minutes and administrated in line with delegated authorities as per the constitution.</td></tr>
</table>

Schemes of delegation; local and financial are in place to provide clarity on responsibilities ensure separation of duties is in place where required and minimise the risk of inappropriate management override.

Assurance mechanisms on the organisations' compliance with it's decision-making processes are provided through the external audit (Statement of Accounts) and the work of the Internal Audit team. Internal Audit's assurance is achieved through the development and delivery of an annual plan and follow-up monitoring of agreed actions. There are other external inspections, such as Ofsted, which may examine elements of our decision-making processes through their work, although this is not usually the primary focus.

The organisation publishes an Annual Governance Statement identifying significant governance issues which have occurred, any known areas which may cause issues if not managed effectively and updates on issues previously identified.

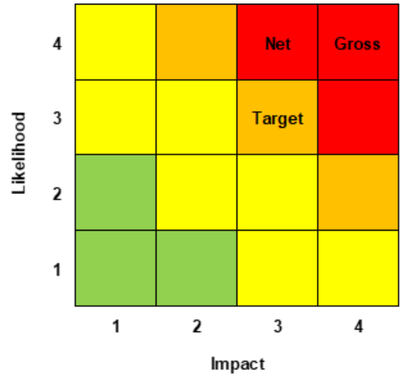
Actions (Monitoring):	**Target Date for Completion**
Review of shared service governance arrangements with specific actions to be identified	2024/25

Comments this quarter: The recruitment of a new Chief Executive took place during Q3 with the appointment being announced in the first days of the 2024. During the period here have been positive examples of cross committee working to ensuring audit recommendations are implemented, with oversight and assurance being provided to the Audit & Governance committee. The risk rating remains the same, supported by the fact that issues are being identified and resolved.

Timescale for managing risk to an acceptable level: March 2024

<table>
<tr><td colspan="2">Risk Name: Stakeholder Expectations and Communication</td><td>Risk Owner: Chief Executive</td></tr>
<tr><td>Risk Ref: SR12</td><td>Date updated: 5th February 2024</td><td>Risk Manager: Head of Communications, Head of Business Change</td></tr>
<tr><td colspan="2">Risk Description: The risk that the council does not understand the expectations of its stakeholders and that its communication and engagement with those stakeholders does not result in their understanding of the council’s actions, nor appropriate involvement and influence. The council has an obligation to provide as high a level of service to its residents as its funding will allow. This requires not only considering both the short and long-term but also the expectations of all of its stakeholders.

Potential impacts: A lack of understand and poor communication and/or failure to effectively engage with stakeholders will cause damage to the council’s reputation, if this is severe enough it may result in poor performance, increased complaints, regulatory inspection, challenge from central government, low morale, increased staff turnover and make the borough a less desirable place to live and work in.

Potential drivers: To a certain degree the council cannot fully control the view that its stakeholders form. At times it will have to make decisions that are unpopular, this can be due to the context of these decisions not being effectively communicated, understood or just being disregarded by stakeholders. Management of this risk should be considered on the basis of the objective regard for and interest in the council its policies and its services (measured via surveys, media coverage, customer relations activity, etc.) and an assessment of the quality of its engagement (both listening and telling).</td><td>
</td></tr>
<tr><td colspan="2">Interdependencies: Increased Demand for Adult’s Services, Complexity and Demand for Children’s Services, Failure to Achieve the MTFS</td><td>Lead Service Committee: Corporate Policy Committee</td></tr>
</table>

Key Mitigating Controls:

Communication & Media

- Effective monitoring and reporting of organisational reputation and sentiment.
- Weekly reputation reporting to senior managers.
- Monitoring of social and traditional media.
- Communications and media function advised at an early stage of all future demand and emerging issues to enable effective planning.
- Providing a 24/7 emergency communications on call function.
- Communications strategies for key projects and issues developed agreed and reviewed with senior stakeholders and decision makers.
- Positive proactive communication across multiple channels to celebrate the council’s successes and achievements, building positive reputation.
- Comms programme planned and reviewed over short-term (daily) and long-term (monthly / annually), including review of council service plans, consultation and engagement programs.
- Review communications business continuity, priorities and emergency / crisis comms protocols and plans.
- Media relations protocol and approvals process.
- Media training programme for key spokespersons.
- Regular meetings with comms leads from public sector partner organisations to collaborate, share plans and intelligence.
- Values and behaviours for officers and members are established and organisational culture is monitored and supported through a range of initiatives.
- Ensure that information about the Council, its services and how to access them is easily available in a range of formats for a wide range of audiences.
- Monitor public sector press (e.g. MJ and LGC) and maintain and develop relationships with these media outlets to maximise opportunities for positive coverage.

- Development and delivery of communication strategies to influence public awareness of and informedness about key universal services, inc: planning, highways, waste and recycling.
- Communications handling requirement for each service committee meeting agreed with lead officer(s).
- Quarterly 'Conversation with the Leader and Deputy Leader' videos.
- Regular internal communications to members and officers.
- Use performance management reports for council services and programmes to identify reputational opportunities and risks at an early stage.
- Continue to develop proactive direct comms to be issued via e-mail / SMS – we currently have 54,000 subscribers for 'push' notifications across a range of topics.

Consultation

- Ensure that consultation is undertaken when proposals are still at a formative stage.
- Design consultation which gives sufficient reasons for any proposal or change to permit stakeholders to undertake intelligent consideration and response to the options.
- Consultation and engagement activity will be used as evidence when making decisions and adequate time will be given between the end of a consultation and a decision is made, to allow for consideration of and where required, a response to, the output of a consultation or engagement.
- Equality Impact Assessments (EIA) are completed, appropriate for the purpose of use and that they are signed off before any consultation can begin.
- Make it clear HOW consultation and engagement activity, EIA and other intelligence has been conscientiously taken into account when finalising the decision.
- Use the equality impact assessment toolkit, guidance, and template to provide clarity around what the equality impact assessment is and how it should be used.

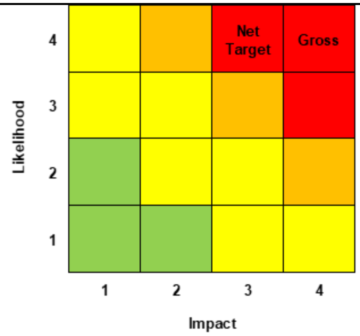
Actions (Monitoring):	**Target Date for Completion**
Communication & Media	
Ensure alignment of annual communications programme and consultation and engagement programme (Quarterly)	Q1 2023/24 and planning ahead for 2024/25
Review annual business plans for communication requirements (Annually)	Q1 2023/24 and planning ahead for 2024/25
Delivery of the Communications Strategy for Residents 2022-25 priorities. Review in the context of 2023/24 financial position and emerging position for 2024/5 and the new Cheshire East Plan, as It is being developed and once established. (Six monthly updates to CPC. however, the Communications Strategy for Residents will need to be reviewed and realigned to the new Cheshire East Plan, once that is approved and adopted.)	Through 2023/24 and planning ahead for 2024/25
Provide communications support for implementation of MTFS proposals to ensure all stakeholders are well-informed about any changes to service and policy. (Annually)	Through 2023/24 and planning ahead for 2024/25
Review use of social platforms and other digital communications and engagement channels in the context of changing technologies and cultures on those platforms. (Quarterly)	Q1 2024/25
Consultation:	
Delivery of Equality Impact assessment training to Equality champions (Annually)	Q2 2023/24
Undertake a residents survey linked to the Corporate Plan refresh (Biannually)	Q3 2023/24
Complete the service restructure to enable recruitment to vacant posts in the research and consultation team (TBC)	Q3 2023/24

Comments this quarter:
Communication & Media: No change to the risk ratings at this time. Coverage and public/media interest in the council through Q3 was dominated by the council's financial position and the potential impacts of the governments' announcement of cancellation of HS2 North of Birmingham. Q3 saw a significant escalation in public interest in pressures on council finances and the impacts on residents, local economy and environment. This is ongoing at a local and national scale and is reflected in national polling regarding resident satisfaction and perception of local councils. Interest in the council's financial position included in-year forecasting of budget gap, implementation of budget proposals from 2023/24 budget and looking ahead to future years.

Key proposals attracting most interest included parking review, garden waste subscription scheme, strategic leisure review and green spaces maintenance. These were (and continue to be) supported with comprehensive communications plans, aligned to consultation activity, project plans and key decision-making. Despite this, when proposing or making significant cuts or changes to valued services, residents and other stakeholders will be concerned and will voice opposition. We also saw developments and interest in flood mitigation plans for Poynton Pool, the ongoing planning issues relating to a housing development in Crewe, and concerns about review of household waste recycling centres. During this period the council also submitted plans to DfE as part of the safety valve programme, relating to high needs funding and SEND service reform. This is of key interest locally and nationally. Ensuring that the council's messages, information for residents and opportunities to influence decision-making (and understand the impact of that input), amid heightened interest from a range of voices and stakeholders, remains a significant challenge. **Consultation:** The Equality Impact Assessment (EIA) training has now been approved and is available on learning lounge. Work is underway to explore if this package can be made mandatory for Head of Service as they have final approval and sign-off EIA prior to publication. This will ensure assessment is undertaken at the right level and that any impacts are understood and mitigated where possible. A residents' survey has been undertaken during the period. Results are being analysed and summary reports will be drafted ready for wider distribution. Discussions will be undertaken to assess the responses and work with services will be undertaken to address any areas identified where performance needs to be improved. A shift to digital has reduced costs. Issues around accessibility were addressed through targeted use of paper copies and responses rates have provided for a good level of confidence in the results at town and borough level. Many significant consultations have been undertaken during this period, with some timescales for reporting being short in some instances. Efforts are being made to ensure that the outcomes of these consultations are taken into account prior to any decisions being made.
Timescale for managing risk to an acceptable level: N/A

Risk Name: Information Security and Cyber Threat		**Risk Owner:** Head of Information Communication Technology and CIO
Risk Ref: SR13	**Date Updated:** 24th January 2024	**Risk Manager:** ICT Programme Manager

Risk Description: (Cause) There is a risk that as the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility, and transaction requirements, (threat) it becomes increasingly vulnerable to a security breach, and, or loss of information, either maliciously or inadvertently from within the Council or from external attacks by cyber-criminals. (Impact) This could result in many negative impacts, such as loss of information, distress to individuals, legal, financial, and reputational damage to the Council, in addition to the possible penetration and crippling of the Council's IT systems preventing it from delivering its Corporate Outcomes.



Interdependencies: This risk has interdependencies with corporate risk Business Continuity and Stakeholder Expectations and Communication. It also has links to the Financial Resilience risk, as funds for maintenance and replacement will be stretched, placing additional strain on assets and resilience of information security controls.

Lead Service Committee: Corporate Policy Committee

Key Mitigating Controls:

- The CIO is an advocate of and reports on Information Risk to the Corporate Leadership Team and the Audit and Governance Committee and makes the Annual Statement of Internal Control of Information Risk.
- The Council has a number of Information and Data Security policies which are published on the Centranet and help to protect from the Council from inappropriate and unauthorised access and communicates what to do in the case of an incident. Policies; Information Security Policy Overview, ICT Access Policy, ICT Communications and Operations Policy, ICT Computer, Telephone and Desk Use Policy, ICT Email and Messaging Policy, ICT Flexible and Mobile Device Policy, ICT Incident management Policy, ICT Infrastructure Policy, ICT Internet Policy, ICT Legal Responsibilities for Data Policy, ICT Personnel Standards for Information Security, ICT Protection Policy, ICT Removable Media Policy and ICT Software Policy. Policies review and guidance materials updated to strengthen advice to staff on how to manage various information types
- Progress on Information Risk and Information Security is monitored through the Information Security Steering Committee (ISSC), Strategic Information Governance Group (SIGG) and the IG Collaboration Group.
- The Council has an Incident Reporting process which has been communicated to staff, all incidents are scored and assessed by SIGG to ensure that the breaches are minimised, and future breaches are reduced.
- The Council complies with the Public Services Network PSN Code of Connection, NHS Data Security and Protection Toolkit, DWP's MOU and NHS Digital controls, work continues with the consolidation and enhancement of elements of the security estate to meet the ever-developing threat profiles. This includes third party IT hardware and software tests undertaken by accredited security vendors, these validate that the network and hardware are secure and robust, if any vulnerabilities are found then a mitigation plan is drawn up and actioned.
- The Council has an Information Asset Register which is reviewed on an annual basis and has been published on the open data portal.
- There is also an Information Assurance Data Management (IADM) programme of activity to increase awareness and maturity of information assurance and governance across the Council. The programme is tasked with guiding the organisation to manage its information in a compliant and efficient way.
- Data Classification has been rolled out to the organisation; this allows the categorisation of information so that appropriate controls can be employed to protect the information.

- The Council provides security and compliance e-learning modules (which are mandatory for all employees) on the Learning Lounge. This includes several modules of Data handling, Cyber Security, and Information Assurance. There are also several best practice guides on the Councils Lighthouse on the best ways to use technology and to protect information. These modules and best practice guides are updated regularly to reflect changes in working practices and as a response to additional threats.
- Controls are in place to restrict access to the data centres and network equipment and risk assessments of existing systems and networks are on-going.
- The Council has a Data Protection Officer who assists in ensuring compliance with GDPR and to specify the procedures to be adopted.
- The Council's ICT Services have a strategic direction to move to a "Cloud First" principle, whilst this enables an evergreen environment which is always up to date, additional controls are needed to prevent compromise or inappropriate use and access. This includes contract compliance and monitoring to ensure ongoing protection of information. To support the strategic direction and architecture principles all technical solutions are reviewed at the Technical Design Authority to ensure correct alignment.
- In addition, the Council is looking to move to Zero Trust architecture, this is a direct result of increased threats posed to the working infrastructure. This shift is in line with the latest thinking and guidelines issued by the NCSC.
- In support of this a high-level business case for Infrastructure Investment of which Security & Compliance is an element was submitted and subsequently approved. This additional funding will be used to develop the necessary tools to start the implementation.

Actions (Monitoring):	**Target Date for Completion:**
Identity Management (Information Security Steering Committee (ISSC), Information Assurance and Data Management (IADM))	March 2024
Application Management (Information Security Steering Committee (ISSC))	March 2024
Data Security (Information Security Steering Committee (ISSC))	March 2024
Data Quality (Information Assurance and Data Management (IADM))	March 2024
Information Management (Information Assurance and Data Management (IADM))	March 2024

Comments this quarter: No change to the risk rating at this time.

Identity Management – projects are continuing to ensure that identities are protected through increased monitoring and controls. These will ensure that correct level is applied to identities across the estate.

Application Management – review of current estate and alignment to the asset register.

Data Security – continued enhancement of the existing security controls to ensure that the latest threats are mitigated and protected. Development of a remediation plan to ensure that vulnerabilities are proactively monitored and addressed. Work is continuing to strengthen the resilience capabilities of data storage and protection. Work is progressing on a refreshed Cyber Incident Response Plan to ensure that the Council is best equipped should an incident occur.

Data Quality – Continuation of the MDM projects across several data fields to ensure that the councils' solutions have the correct data embedded with them, updated seamlessly across multiple systems. This is a key area to support any future drive to AI.

Information Management – continuation of projects to deliver and improve the maturity of information both through its storage and use of information. This will enable both greater protection for that information but also enable efficiencies through accurate management information and improved compliance through controlled retention and ease and speed of access to critical information. This is a key area to support any future drive to AI.

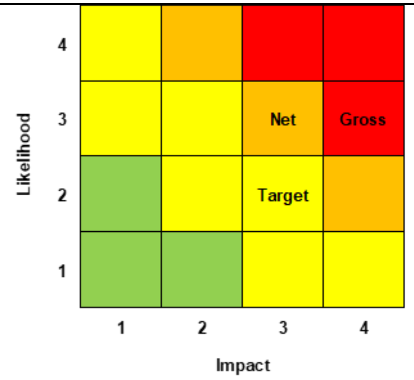
Timescale for managing risk to an acceptable level: N/A

Risk Name: Business Continuity		**Risk Owner:** Director of Governance and Compliance (Monitoring Officer)
Risk Ref: SR14	**Date updated:** 2nd February 2024	**Risk Manager:** Head of Audit & Risk

Risk Description: Failure to maintain business continuity after an unusual or unexpected, disruptive event or events. The risk that, some or all, of the council's services, projects or initiatives are unable to resume operations within the expected timeframes after a disruption. A disruptive event, or multiple events, may occur either in isolation, or across the whole organisation.

Detailed consequences: The council has a number of safeguarding obligations to its residents, a failure could result in it being unable to fulfil those obligations, and as such not protect them from mental or physical harm. Failures may also cause an unacceptable loss of local services.

Detailed causes: The unavailability of staff, ICT systems, equipment or a suitable working environment are the most common causes of a material failure. Many different social, economic, environmental or public health factors can drive these causes to manifest themselves. Underlying this may also be a failure to reasonably allocate resources to eliminate single points of failure in these areas.



Interdependencies (risks): Information Security and Cyber Threat, Pandemic Virus, Fragility in the Social Care Market, Council Funding, Organisational Capacity & Demand	**Lead Service Committee:** Corporate Policy Committee

Key Mitigating Controls:

- BC Plans held for each service area – clear format, identifying critical and serious priority activities with recovery time objectives.
- BC impact assessments undertaken across the organisation to understand challenges to service delivery ahead of known events, informing decision making and mitigation plans.
- High level course on Business Continuity Management has been added to the Council's Learning Lounge
- ICT Shared Service also have a Crisis Recovery Plan that has been updated to take account of lessons learned as a result of ICT outage incidents. This Crisis recovery plan overview contains key information for the ICT Shared Service disaster recovery
- Ongoing liaison with Emergency Planning Shared Service

Actions (Monitoring):	**Target Date for Completion:**
Review and refresh of the Business Continuity Framework (2-year review cycle)	May 2024
Development of SharePoint BC system (one off project)	Begins January 2024
Rollout and training for the SharePoint BC system (2-year review cycle)	Post SharePoint system development
Work with Emergency Planning on scenario exercises	Began March 2023 – on-going

Comments this quarter: No material change to the risk, time with a system analyst has been booked in for January to develop the scope for the BCP SharePoint App. Emergency Planning exercise planned for February based around a cyber security breach, the learnings from which will feed into the app development and inform further development of the organisation's business continuity approach.

Timescale for managing risk to an acceptable level: Q4 2023/24

Risk Name: Capital Projects - Place		**Risk Owner:** Executive Director of Place
Risk Ref: SR15	**Date updated:** 31st January 2024	**Risk Manager:** Place Directors and Business Managers as relevant to

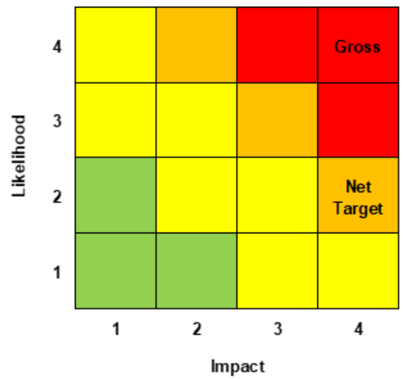
Risk Description: Failure to deliver major capital projects.

The council delivers a broad range of capital projects in support of the aims and objectives of its Corporate Plan. The range of projects includes transport infrastructure, town centre regeneration, refurbishment and improvement of existing council assets such as schools and leisure centres, and renewable energy generation.

Impact: Without a robust system for managing the capital programme and individual projects, the stated objectives may not be delivered. Projects could also fail to deliver to the time, cost and quality parameters set out in business cases. This could have significant financial and reputational implications for the Council. Due to the nature of the projects and their large cost, delays can materially impact the ability to deliver future projects, thus negatively impacting the borough.

Likelihood: The scale and complexity of the overall capital programme is challenging. Appropriate governance and controls are important to ensure resources and funding are prioritized effectively, and where required agree adjustments to the time, cost and quality parameters set out in the business case. Where appropriate, members are updated on significant changes to agreed objectives through briefings to the relevant committee.

The broad range of partners and stakeholders for individual projects and interdependencies between projects are also significant challenges that require effective management.



Interdependencies (risks): Climate change, Infrastructure Investment, Economy, Council Funding

Lead Service Committee: Economy and Growth, Environment and Communities, Highways and Transport

Key Mitigating Controls:

- The Capital Strategy and overall Capital Programme is presented annually as part of the Medium-Term Financial Strategy at full Council.
- New projects and schemes are subject to the approval of detailed business cases in accordance with the Finance Procedure Rules
- The Assets Board provides strategic oversight of the Council's land and property assets including recommendations and reports on acquisition, disposal and development.
- The Capital Programme Board undertakes detailed appraisals of projects and business cases; undertakes gateway reviews and risk management reviews of major capital projects; and receives post project completion reports to assess benefit realisation and lessons learnt.
- Appropriate and proportionate governance has been established to oversee project delivery, including risk registers. This includes project boards to manage individual projects and thematic programme boards to provide additional strategic oversight and manage interdependencies, e.g. Carbon Neutral Programme Board, Leisure Investment programme Board, Place Board. This governance considers and makes practical decisions on the prioritisation of resources and funding including, where appropriate adjustments to agreed time, cost and quality parameters.
- The Place Board provides strategic oversight of all the major Crewe-centric and Macclesfield-centric projects, including strategic housing sites, to ensure individual projects are fully aligned to the overarching vision and delivery plan for each town.
- Financial monitoring undertaken quarterly, with summary data reported to Finance Sub-Committee and appropriate service committee.
- High level progress updates are reported to the appropriate service committee twice a year. More detailed progress reports on individual projects or programmes are provided on a periodic basis.
- Regular 121s between Executive Director and Directors which includes updates on key capital projects

Actions (Monitoring):	**Target Date for Completion:**

A new module within the Unit4 ERP system will improve financial monitoring to provide more regular information on actual and forecast spend	Revenue module now in operation, capital module deployment ongoing – date TBC

Comments this quarter: No change to the risk ratings this quarter, controls and action review, no material changes identified. The Middlewich eastern bypass full business case was submitted to the DfT for funding, with a decision anticipated in the spring.

The effects of inflation continue to be felt across the wider programme of capital projects in Place, larger capital investments are continually assessed to understand whether they remain viable and will deliver the required benefits.

Timescale for managing risk to an acceptable level: N/A (Net score is equal to target) - Major capital projects by their nature are high risk. The controls are designed to proactively manage risks and mitigate their impact if a risk is realised. It is not realistic to expect the risk to be managed any lower.

Risk Name: Failure of the Local Economy

Risk Owner: Executive Director of Place

Risk Ref: SR16

Date updated: 8th February 2024

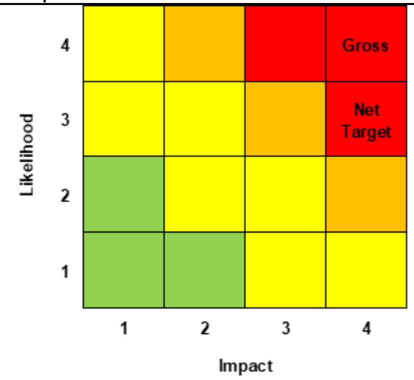
Risk Manager: Director of Growth and Enterprise

Risk Description: Failure of the local economy

The risk that the local economy does not realise the expected level of growth due to an inability to attract, grow and retain commercial enterprises, residents and visitors. The borough has a strong local economy, an above average Gross Value Added (GVA), some areas of deprivation and is reliant on a number of different industries.

Consequences: The failure of enterprises reduces the local money supply, reducing the standard of living for residents and council income. Secondary effects can include a reduction in public health and the loss of highly trained or skilled individuals. Consequences and causes, over the medium to long-term can have a symbiotic relationship, creating either an upward or downwards spiral. An example of this is shops closing in a town centre, then reduced footfall resulting in further closures.

Causes: The local economy is significantly driven by changes in the national economy, taxation and other government policies. However the failure to maintain parity, or offer benefits above other boroughs, can lead to a relatively larger economic downturn. As noted above poverty and deprivation, like other issues, can be both a consequence and cause causing a snowball effect.



Interdependencies (risks): Capital Projects, HS2 Infrastructure Investment, Pandemic Virus, Climate Change

Lead Service Committee: Economy and Growth

Key Mitigating Controls:

- Cheshire East Business support hub has been launched.
- Business forum to engage and plan future support.
- Investment plans to support regeneration and development.
- Place marketing and inward investment.

Actions (Monitoring):	**Target Date for Completion:**
Launch of business support grants: (Quarterly returns to government) • Repurposing our high street grants from Crewe town centre • Decarbonisation grants for business • New employment space grant	March 2025

Comments this quarter: The national economic situation continues to be monitored by the Economic Development Service. There is no change in the economic position, with the economy flatlining. Locally, the cancellation of HS2 has impacted confidence.

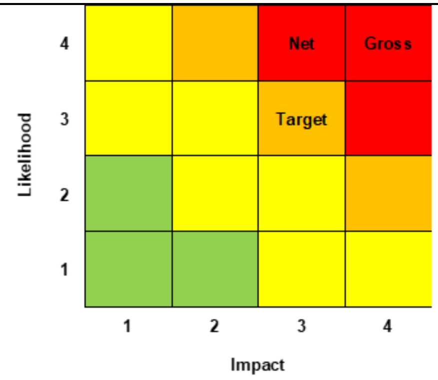
Timescale for managing risk to an acceptable level: N/A, net score is equal to target score.

Risk Name: Climate Change (CEC Carbon Neutral Status 2025)		**Risk Owner:** Executive Director of Place
Risk Ref: SR17	**Date updated:** 31st January 2024	**Risk Manager:** Head of Environmental Services

Risk Description: Failure to achieve Carbon Neutral status for the Council by the 2025 milestone target due to requirement to secure statutory consents, seek viable and affordable solutions and other external market forces outside the Councils control.

Likelihood is based on a number of external factors, partnerships and key outcomes being delivered in a timely manner.

Impact will result in non-delivery of a key priority in the Council's Corporate Plan. It will also contribute to climate change temperature rise and severe weather events which could have an impact on public health and safety. It could also have financial implications with increased need for adaptation of key infrastructure for severe weather events across the borough.



Interdependencies (risks): Economy and World Events, Organisational Capacity and demand, Council funding, Capital Projects	**Lead Service Committee:** Environment and Communities

Key Mitigating Controls:

- Risk is reviewed as part of the Brighter Futures Transformation Projects Board, operational board and member steering group
- Carbon Neutral Program established with Program Board reviewing progress and risks monthly
- Member Advisory group overseeing its delivery
- Annual update on progress reported to relevant committee
- Climate change is a key consideration as part of our statutory planning duties as an authority and within the development of local planning policy
- Planned natural offset set at 10% more than required to reduce risk of non-delivery in any one project area

Actions (Monitoring):	**Target Date for Completion:**
Secure planning permission for second solar farm (Delegated Authority granted at March 2023 Economy & Growth Committee. Action will be reviewed monthly at Carbon board chaired by Head of Environmental Services)	March 2024
Transition of Electric Fleet project, failing to meet targets (New Capital funding secured though 2023 MTFS Action for fleet transition and tree planting progress, will be reviewed monthly at Carbon Board chaired by Head of Environmental Services)	March 2024
Progress of Natural Offset planting failing to meet targets (In response to capacity issues at Mersey forest, more of the project work to be delivered by CE for Oct – May planting season)	1st October 2023
Budget proposal to defer capital spend and target for Council to be Carbon neutral to 1st April 2027 (Decision at Full Council Q4 2023/34)	January 2024

Comments this quarter: The council has projects in progress to achieve the target it has set itself to be carbon neutral by 2025, however this is now unlikely to be achievable based on time constraints for the following reasons;

- Due to the complexity of the projects required and how their practical delivery has been influenced by external market forces. These external factors are issues such as securing off takers for solar energy and an ability to acquire the necessary volume of small fleet vehicles over a restricted time period;

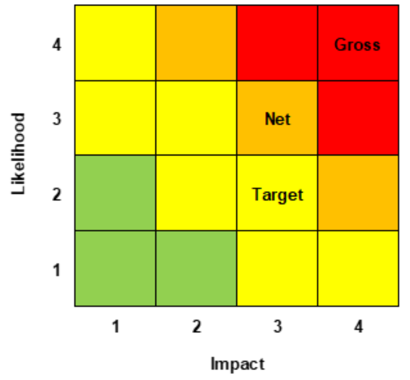
• The budget proposal to be considered in Quarter 4 at Full Council on 27th February 2024 to defer capital expenditure on the second larger solar farm and transition to EV fleet. This is proposed on the basis of the Council's very challenging financial position and the need to defer spend, in this case the cost of prudential borrowing, to future years wherever practicable. If agreed at Full Council in Q4, this would revise the 2025 target for the Council to be Carbon Neutral to 1st April 2027. Recognising the challenges described, the net score increased from 9 to 12, target score also increased from 6 to 9.
Timescale for managing risk to an acceptable level: Delivery milestone – Q 2025/26

Risk Name: Local Planning Authority Modernisation Plan		**Risk Owner:** Executive Director of Place
Risk Ref: SR18	**Date updated:** 1st February 2024	**Risk Manager:** Interim Director of Planning, Head of Planning

Risk Description:
Following the completion of the ‘Local Planning Authority Review and Service Transformation’ report and presentation to Environment & Communities Committee on 31 October 2022 a Modernisation Plan has been developed to achieve the transformation of the service. This Plan will carry forward the recommendations made, document actions and monitor progress. The recommendations are many and varied but failure to complete the actions of the Modernisation Plan will undermine the planned transformation of the service, perpetuating and potentially extending the issues identified and undermining the reputation of the organisation.

Detailed consequences: Failure to achieve completion of the Modernisation Plan will undermine the performance of the Council in its Local Planning Authority role, result in non-compliance with statutory processes, and reputational damage to the Council. By not achieving the Modernisation Plan within agreed timescales, the potential for additional budget pressure increases.

Detailed causes: Insufficient resource to ensure completion of priority actions in the required timescales (staff and skills) while also ‘doing the day job’, Interim Service Review Lead/Planning Director limited contract duration, supplier resource to deliver new ICT system, failure to engage with internal and external stakeholders to affect necessary changes, lack of oversight from the Planning Transformation Board/Steering Group.



Interdependencies (risks): Organisational Capacity and Demand, Reputation, Council Funding,

Lead Service Committee: Environment and Communities

Key Mitigating Controls:

- Environment and Communities Report 31/10/2022; Local Planning Authority Review and Service Transformation Report and Modernisation Plan.
- Monitoring of progress against Modernisation Plan by Transformation Board and Environment and Communities Committee.
- Regular meetings of Interim Director of Planning and Head of Planning and team managers to review action logs and progress on key priorities. Steering Group established to review workstream and focus priorities feeding into Transformation Board.
- Internal Audit reports on Community Infrastructure Levy and Section 106 will inform the scope of a member/officer working group.
- IT System Project has its own Project Board attended by supplier.
- Weekly monitoring of resources / recruitment during manager’s meetings.

Actions (Monitoring):	**Target Date for Completion**
IT System Project escalation due to breach of contract (Weekly team and fortnightly Project Board meetings or as needed)	Q1 2024/25
Staffing Restructure – JDQs awaiting evaluations (Regular meetings and updates)	Q1 2024/25
External support from Capita retained to assist with backlog. Backlog funding secured from DLUHC, intervention from senior officers on older applications (Continued monthly reporting on application backlog)	Q4 2023/24
Continued monitoring of resources – recruitment to critical posts ahead of restructure (Weekly manager meetings)	Q4 2023/24

Comments this quarter: There is no change to the risk ratings at this time and the desired reduction in net risk score is not yet possible. This is due to several on-going issues; one of which is the delayed the delivery of the ICT system project for which we have no solid timescale for implementation from our external supplier. Engagement with the external supplier is on-going and current expectations are tentatively for a Q1 2024/25 delivery.

Restructuring the service has faced further delays due to job evaluation queries and HR resource. Further recruitment to key roles will be necessary before restructure is complete – which may now be pushed into Q1 24/25 and will also be impacted on by financial pressures. Backlog of planning applications is reducing slowly but some sickness and further vacancies has impacted on progress. A backlog funding bid has been successful so additional Capita support should be secured for Q4. Engagement with consultees on applications and s106 is largely complete. Validation checklist work to go to consultation and forward to adoption in Q4. S106 audit work progressing well with several recommendations completed and further work to be largely completed by end of Q4. Further progression and timeframes on the remaining Modernisation Plan recommendations are dependent on resolution of priorities described above.
Timescale for managing risk to an acceptable level: 3-12 months (depending on priority)

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Orbitas Bereavement Services, Detailed Risk Register – Confidential Document

Risk scoring:

- CEC might score a risk as 16 for such potential impacts as over £1M, risk of death, severe reputational damage, project delay of over 3 months or service suspension of over 5 days
- Orbitas' risk tolerance is lower than CEC's and is based on what financial, political, compliance &/or reputational type risks Orbitas could survive.
- For Orbitas, a score of 16 reflects a financial burden of £50K or more and/or the risk of severe service disruption (1 week or more) and/or severe health and safety and/or high reputational damage or a known compliance risk

Key:

- L = Likelihood, I = Impact, O = Outcome.
- Each item is scored 1-4. Final Score = L x I = O
- 7 or below shows as green
- 8 or more shows as yellow/amber
- 12 or more shows as red

	Risk	L	I	O	Control Measures	Revised O
1	Pandemic Event	2	4	8	- Orbitas Pandemic Plan in place and revised to reflect experiences of Covid-19 pandemic - relationships established with CEC Emergency Planning Team	6
2	Financial Failure	2	4	8	- Company reserves provide security	4
3	General regional economic problems	2	2	4		4
4a	Loss of core contracts	2	3	6	- MA1 contract with Adults Commissioning continues to provide excellent value for money	3
4b	New competitors / options leading to reduced market share	3	3	9	- Business Plan includes several business development opportunities	6
5	Local Government spending constraints	4	3	12	- regular dialogue with Shareholder - Shareholder Business Plan - importance of income generation to address budget issues - service funded by income generated	9
6	Failure to attract investment for business development	3	3	9	- company reserves enable self-funding - potential to fund via borrowing - CEC appetite for risk from ADSV activity is low	6
7	Legislative change affecting Council-owned companies	2	3	6	- ADSV operating model previously challenged with positive outcome	3
8	Political change via general and local elections	2	2	4	- first year of Local Authority electoral cycle - likely General Election during 2024 thought to have lesser impact on Orbitas	4
9	Failure to meet political aspirations	3	4	12	- Cheshire East council currently reviewing the ASDV operating model - Orbitas co-operating providing all information requested - ASDV model has been challenged previously with a positive outcome for Orbitas	8

10	Reputational damage for the Company or shareholder	2	3	6	- Orbitas has an excellent track record due to systems, processes, policies, training, experience and governance in place	3
11	Loss of confidence in the Company, Board or key Personnel	3	4	12	- Cheshire East council currently reviewing the ASDV operating model - Orbitas co-operating providing all information requested - ASDV model has been challenged previously with a positive outcome for Orbitas	8
12	Industrial action	2	2	4	- good relations with recognised Trade Unions	2
13	Failure to recognise and recruit the necessary skills	3	2	6	- attractive benefits - comprehensive training programme providing development opportunities and meaning specialist skills not required prior to employment	4
14	Major H&S issue	3	3	9	- comprehensive trainging provided for staff - suite of Health and Safety Policies regularly revised and briefed to staff via Toolbox Talks - Operations Manual and Risk Assessments cover all activities - all necessary equipment and PPE provided	3
15	Quality issues	3	3	9	- comprehensive training provided for staff - suite of HR, H&S and other policies regularly revised and briefed to staff via Toolbox Talks - main processes fully documented and briefed to staff - annual external audit programme give assurance and aids business improvement - full induction process for new starters	3
16	GDPR issues / data breach	2	3	6	- regular GDPR training completed by staff - access to CEC GDPR Officer expertise - all data held on CEC networks	3

RISK LOG

PROJECT/PROGRAMME TITLE	Tatton Park Enterprises Operations
OBJECTIVE	To ensure that TPE delivers its targeted budget contribution of £106k for 2023/24 whilst maintaining the good
Completed by:	Ian Barlow
Date Completed	20/02/2024

Cheshire East Council

	Risk Type	Scope of Risk (Detail)	Gross Score (without			Existing Controls	Net Score			Risk Treatment and Control Measures to be introduced	Anticipated Score			Officer Responsible for Risk
			Likelihood	Impact	Total Score		Likelihood	Impact	Total Score		Likelihood	Impact	Total Score	
			L	I	Lx I		L	I	Lx I		L	I	Lx I	
OR1	THREAT	Gradual decline in turnover results in failure to hit annual budget contribution to the Tatton Park revenue account affecting the Park's financial performance	3	3	9	Regular financial monitoring by Cheshire east Council finance and the TPE Ltd Operations Manager.	2	3	6	Remedial financial and operational controls will be implemented currently throughout the Financial reporting period.	2	3	6	GJ/SW
OR2	THREAT	Factors affecting Front of House staff and poor operational Service delivery causing lack of repeat business from customers resulting in financial targets being missed.	2	3	6	In house control of staff through customer service training and food suppliers analysed for best value and quality.	1	3	3	Ongoing service and supply monitoring	1	3	3	GJ/SW
OR3	THREAT	Natural calamity affecting the Park being able to open, and therefore may be closed for a period exceeding a day, e.g. Foot and mouth epidemic resulting in financial targets being missed.	3	3	9	Statutory adherence through Health and Safety and completion of animal passports/transport Licences etc.	2	3	6	Contingency measures in place reviewing operation whilst Park is closed.	2	3	6	CH
OR4	THREAT	Temporary service closure through interruption to catering provision by external factors e.g. Power Failure resulting in financial targets being missed.	2	3	6	Emergency contact lines operating to help understand in particular how long the service interruption will affect the catering operation.	1	3	3	ensure all emergency contact data including phone numbers, Park staff responsible are available to contact in case of any emergency.	1	2	2	CH
OR5	THREAT	Lack of correct Insurance cover and limits placed on operational liabilities causing potential liability to both Tatton Park and Cheshire East Council resulting in financial targets being missed or additional contributions required from CEC	2	2	4	Risk Management procedure inn operation following advice with Insurance assessor.	1	2	2	Participate in annual risk assessment ensuring any changes in business circumstances are notified to the Insurer.	1	2	2	CH
OR6	THREAT	Physical operational risk and security of contents within both the Stables and Gardeners Cottage facilities resulting in loss of ability to provide an operation.	2	2	4	On going programme of reviewing risk Assessments, alarm maintenance and portable appliance testing including inventory updates to identify changes in Assets in both outlets.	1	2	2	On going Maintenance.	1	2	2	SW
OR7	THREAT	Poor food or service provision leading to potential closure of one or both outlets, or poor public reviews, leads to reputational damage to both TPE Ltd, Tatton Park and CEC with possible damage payments due.	3	3	9	Good communication lines operating both at Tatton Park and Cheshire East Council and any responses to customers etc. handled with speed, tact, diplomacy and honesty.	2	3	6	On going review of current procedures and affect any improvements whereby felt necessary by both TPE Ltd staff and Tatton Park.	2	3	6	Sw
OR8	THREAT	Bout of food poisoning (or similar) from one of the two catering outlets causing temporary closure leading to reputational damage to both TPE Ltd, Tatton Park and CEC with possible damage payments due.	3	4	12	Industry food hygiene standards maintained and annual visit from CEC Environmental Health Team.	2	4	8	Ongoing food standards and preparation training.	2	4	8	SW

SCORING CHART FOR IMPACT

	Factor	Score	Effect on Project
Threats	Critical	4	Complete failure or extreme delay of project (3 months or more). Critical impact on project objectives and performance and could seriously affect project reputation. Long term damage that may be difficult to restore with high costs - £1m.
	Major	3	Major impact on project objectives and performance, could be expensive to recover from (between £500k - £1m). Failure to achieve expected benefits and/or major delay to project (2-3 months)
	Significant	2	Significant impact on project objectives, performance and quality, could have medium term effect and be potentially expensive to recover from (between £100k - £500K). Significant slippage (3 weeks–2 months).
	Minor	1	Minor impact on project objectives and performance, could cause slight delays in achievements (less than 2 weeks). However if action is not taken, then such risks may have a more significant cumulative effect. (Costs less than £100k)
	Factor	Score	Effect on Project
Opportunities	Exceptional	4	Result in major increase in ability to achieve project objectives.
	Significant	3	Impact on some aspects of the achievement of one or more strategic objectives

SCORING CHART FOR LIKELIHOOD

	Factor	Score	Description	Indicator
Threats	Very likely	4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly
	Likely	3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)
	Unlikely	2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
	Very unlikely	1	<10% chance of occurrence	Rarely/never before
	Factor	Score	Description	Indicator
Opportunities	Very likely	4	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
	Likely	3	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
	Unlikely	2	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.
	Very unlikely	1	<10% chance of occurrence	Has happened rarely/never before

Agenda Item 13

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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