

OPEN

Corporate Policy Committee

13 June 2024

Strategic Risk Register – Assurance Report Q4 2023/24

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

Report Reference No: CP/01/24-25

Ward(s) Affected: All

Purpose of Report

- 1 One of the responsibilities of the Corporate Policy Committee is to have a co-ordinating role across all other committees and exercising a corporate view of outcomes, performance, budget monitoring and risk management. Reporting on the Strategic Risk Register supports effective risk management, is central to good governance and supports the efficient delivery of the council's corporate plan objectives.
- 2 This report provides an update on the activity of the council's Strategic Risk Register for Quarter 4 2023/24; January to March 2024. This report also includes the equivalent level risk registers for the Council's wholly owned companies; Orbitas, Tatton Park Enterprises and ANSA.

Executive Summary

- 3 This report provides the Corporate Policy Committee with an update on the activity of the Strategic Risk Register for Quarter 4 2023/24 with the Strategic Risk Register set out in detail in Appendix A, and the wholly owned company registers set out in Appendix B, C and D.

RECOMMENDATIONS

The Corporate Policy Committee is recommended to:

1. Note the position of the Council's Strategic Risk Register and those of the wholly owned companies for Quarter 4 2023/24, in respect of the content, description, scoring and risk management activity outlined.

Background

- 4 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.
- 5 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.
- 6 The content of the Strategic Risk Register has been updated in preparing this assurance report for the Corporate Policy Committee. Members of the Corporate Leadership Team have assessed their risks as at the end of Quarter 4 2023/24. The newly established Risk and Assurance Board will be involved in the production of this report.
- 7 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 the risk owner's judgement as at that time.
- 8 Full details of the Council's individual strategic risks are provided in Appendix A. The content of this covering report relations to the key changes in risks from Quarter 3 to Quarter 4.

Summary of Quarter 4 review

- 9 Drivers and causes of uncertainty, primarily the financial position of the organisation remain much the same as Quarter 3 with no change in the two highest rated risks from last quarter; the Dedicated School Grant Deficit and Failure to Achieve the MTFs. In addition, the risk relating to the Carbon Neutral project has been increased, also to the highest possible rating. All three of those risks, and many other in the register, directly relate to the resources/demand imbalance currently faced by the Council. The organisation continues to experience elevated levels of challenge and risk as a result of the current financial situation.
- 10 The risk relating to capital projects being managed by the Place directorate has seen an increase in the net score this quarter. The risk shows how the impact of inflation in construction projects.

- 11 As set out in the Quarter 3 report, the JTAI improvement plan risk has been replaced with a broader, longer-term risk focusing on the protection of vulnerable children.
- 12 Table 1 shows the position of the Strategic Risk Register after the Quarter 4 assessments: with the gross, net and target score for each risk. The table is organised by highest to lowest net risk for Q4.
- 13 Table 2 shows the position of the Strategic Risk Register based on the Q4 assessments against the previous quarter.
- 14 The heat map below the tables (Chart 1) shows the concentration of critical and material rated risks. All risk now sit in the top, righthand quadrant.
- 15 As requested by Corporate Policy Committee the strategic risk registers of the Council's Wholly Owned Companies are included in Part 2 of this report. Full details are included in Appendix B, C and D.

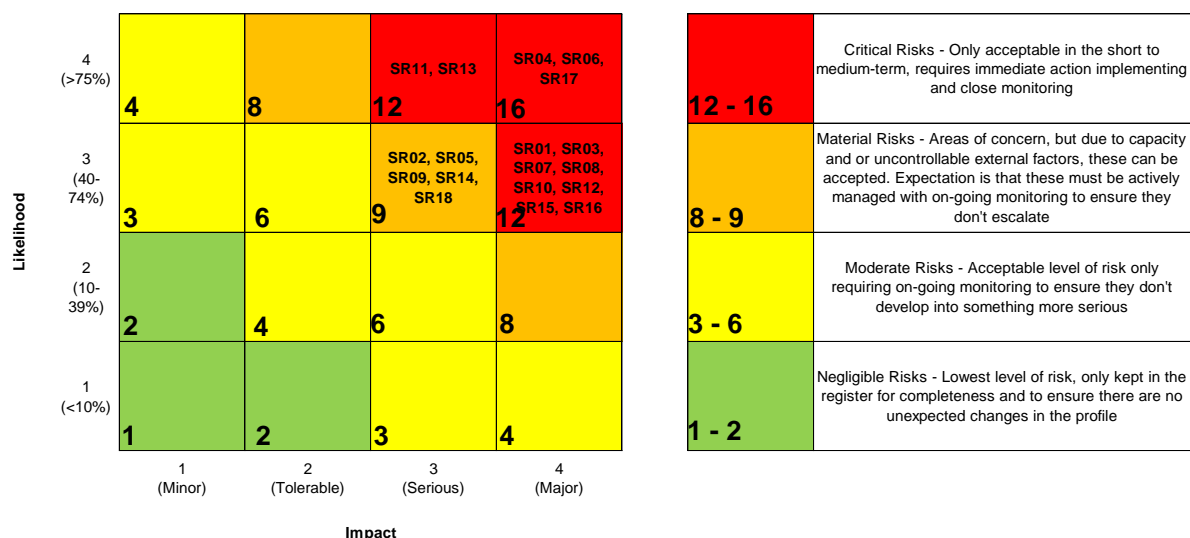
Table 1 – Strategic Risk Register, highest net score to lowest

Ref	Risk	Q4 Gross	Q4 Net	Q4 Target
SR17	CEC Carbon Neutral Status	16	16	16
SR04	Dedicated School Grant Deficit	16	16	16
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	9
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
SR15	Capital Projects – Place	16	12	8
SR16	Failure of the Local Economy	16	12	12
SR02	Fragility and failure in the Social Care Market	16	9	9
SR05	Failure to Protect Vulnerable Children	16	9	6
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

Table 2 – Strategic Risks Direction of Travel

Ref	Risk	Q1 Net	Q2 Net	Q3 Net	Q4 Net	Direction of Travel (Q3-Q4)
SR01	Increased Demand for Adult's Services	12	12	12	12	↔
SR02	Fragility and failure in the Social Care Market	9	9	9	9	↔
SR03	Complexity and Demand for Children's Services	N/A	12	12	12	↔
SR04	Dedicated School Grant Deficit	N/A	16	16	16	↔
SR05	Failure to Protect Vulnerable Children	N/A	N/A	N/A	9	NEW
SR06	Failure to Achieve the MTF5	N/A	16	16	16	↔
SR07	Leadership Capacity	N/A	12	12	12	↔
SR08	Ability to Achieve Organisation Change	N/A	12	12	12	↔
SR09	Recruitment & Retention	N/A	9	9	9	↔
SR10	Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks	12	12	12	12	↔
SR11	Failure to Adhere to Agreed Governance Processes	9	9	9	9	↔
SR12	Stakeholder Expectation & Communication	12	12	12	12	↔
SR13	Information Security and Cyber Threat	12	12	12	12	↔
SR14	Business Continuity	9	9	9	9	↔
SR15	Capital Projects - Place	8	8	8	12	↑
SR16	Failure of the Local Economy	12	12	12	12	↔
SR17	Climate Change (CEC Carbon Neutral Status)	9	9	12	16	↑
SR18	Local Planning Authority Modernisation Plan	9	9	9	9	↔

Chart 1 – Strategic Risks Heat Map



Risks Updates by Service Committee

Adults and Health Committee

- 16 **Increased Demand for Adults Services:** Increased efforts from our First Point of Contact teams has seen the number of referrals going on to full assessment remain static demonstrating our work towards 'prevent, reduce, delay' having a positive impact on demand. However, the referrals progressing to assessment continue to evidence higher complexity and need. The demand and complexity of young people moving from Childrens' services is resulting in increased pressure on the Preparing for Adulthood team and an increase in financial pressure on services. There is no change to the risk rating or description. The Quality, Performance and Authorisation Board meets three times a week and continues efforts to reduce spend where possible and safe to do so. Fee increases from providers continues to be the biggest pressure on the services.
- 17 **Fragility and failure in the Social Care Market;** No change to the risk score or description at this time. As predicted in Q3 we are seeing an increase in the number of providers requesting uplifts as a result of the increase in the national living wage. However, it is too early to assess the impact on the market and whether packages of care will be handed back. Fees have been uplifted for packages of care on the Complex framework to £18.52 per hour and there has been a substantial uplift in the rate paid for waking nights, equivalent to £18.52 per hour. The Council has also purchased a fee analysis tool called "Care Cubed" which will provide greater insight into the true cost of delivering care to inform negotiations with individual care providers. This will start to be rolled out in Q1 2024/25.

Children and Families Committee

- 18 **Complexity and Demand for Children's Services;** No change to the net rating, it remains 12, a material risk, equal to the target score. Cheshire East Council received an Ofsted inspection of Children's Services during February and March 2024. We are currently developing a new improvement plan to respond to the findings from the inspection; Children and Families Committee received a report on the findings and improvement plans on 3 June 2024. The delivery and impact of this will be evaluated through an independently chaired monthly Improvement and Impact Board. Additional growth to address budget pressures within services has been agreed in the MTFs for 2024/25, including £10.8m to address placement costs for children.
- 19 We have implemented Family Hubs, bringing council, health and community services together – improving access and reach of services, supporting earlier intervention, and improving partnership working. Over the past 12 months the council has opened five family hubs across the borough, including a SEND Centre of Excellence, as well as a new digital offer so families can also access advice and information online.
- 20 **Dedicated Schools Grant (DSG) Deficit:** Cheshire East submitted detailed plans to the Government on 12 January 2024 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.
- 21 In March 2024 Ministers advised that they are currently unable to enter into an agreement with Cheshire East as its Safety Valve submission included an ask which was significantly above the level which the Department could reasonably afford in comparison to other agreements. Ministers recognise that the DSG deficit as forecasted poses a substantial risk to Cheshire East and propose to work with us over the coming months, alongside colleagues from DLUHC, to seek an appropriate solution.
- 22 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. A revised DSG management plan for 2024/25 to 2030/31 was approved by the Children and Families Committee on 29 April 2024. The committee also received an update on the Safety Valve submission. With significant and

challenging mitigations, we are now forecasting an in year balanced position by year 7. Additional growth has been agreed in the MTFS budget 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.

- 23 **Failure to Protect Vulnerable Children;** This risk previously related to the JTAI improvement plan where a number of recommendations were made and required to protect children at risk of exploitation. As previously reported, all actions were met through the improvement plan which had DfE oversight throughout. The scope of the risk has transitioned to taking an ongoing view of how well the council is protecting its vulnerable children.
- 24 Contextual Safeguarding has remained a partnership priority throughout 2023/2024. There is audit activity underway and an impact report is being developed to understand the progress made against the exploitation strategy. Any recommendations will be actioned across the partnership.
- 25 As this update covers the period of January to March 2024, it is noted that the outcome of the ILACS Ofsted inspection was published in May. The gross, net and target scores have been set to reflect the new scope of the risk and the outcome of the above activity will be addressed in the Q1 24/25 update of the register.

Corporate Policy Committee

- 26 **Failure to achieve the MTFS;** No change to the risk ratings. At the time of writing, provisional outturn figures for 2023/24 show a slightly smaller overspend than was forecast in the Third Financial Review, overall, with a greater adverse variance in Adult Social Care spending being more than offset by favourable variances across other Services. The outturn position is being analysed, particularly to understand the effects of one-off 'windfall' events/ savings, as distinct from any further cost pressures (or reductions) which will continue to have an effect in the 2024/25 year, and so vary our forecasts going forward.
- 27 The smaller overspend, whilst helpful, provides little comfort, as all things being equal the prospects for the future remain very challenging. The Council has received notification from Government of the potential to utilise 'Exceptional Financial Support' – of up to £11.6m relating to 2023/24 items, and up to £6m in respect of 2024/25 – but as expected this is only in the form of capitalisation direction (which will cost us to deploy, in the form of premium interest rates).

- 28 The Transformation Programme noted as required in the MTFs is underway, with consultants being appointed recently; work has commenced and in the coming weeks they will help us develop a plan to shape our transformation and improvement journey. This plan must be submitted to DLUHC by 27 August as part of the criteria for final approval of Exceptional Financial Support. Our plan needs to present a version of Cheshire East Council that spends £100m less over the next four years.
- 29 **Leadership Capacity;** Director of Finance and Customer Services resigned from the organisation in January 2024 and left in May 2024. A recruitment exercise for an interim has been carried out successfully and an interim will be taking up post on 29 April 2024. The LGA has undertaken a “Decision Making Accountability” exercise to examine current senior management roles to help ensure a stable senior management structure is in place. This will provide recommendations for a revised organisational structure which is effective at making decisions, with clear accountabilities and roles, and that are efficient in their use of management resources. This will be actioned in the next quarter.
- 30 A series of development sessions for CLT and WLC has been developed, with the first of these sessions being held on 12th April. Additional sessions for CLT and WLC will continue through the next quarter. Recruitment to a number of key senior interim roles has also begun and includes the director of Policy and change and the Executive Director Corporate Services.
- 31 **Ability to Achieve Organisation Change;** No change to the risk rating or description at this time. Focus on the initial steps need to transform the council including:
2. Confirmation of exceptional financial support, subject to a transformation plan being established
 3. Transformation Approach for the council approved by Corporate Policy Committee
 4. Established of 4 management boards including the transformation board which meets weekly
 5. Procurement, appointment and start on site of the council’s transformation partner
 6. Various engagement sessions with the wider leadership community of the council around the scale and pace of the required change
- 32 **Recruitment and Retention;** No change to the risk ratings at this time, the same market pressures exist, although work is now underway to secure a more stable senior management structure. A recruitment

process review has also been completed in this quarter and a number of further key actions identified. A new recruitment process checklist has been developed and will be available to support all hiring managers with the recruitment process. Additional improvements will also be introduced in the next quarter. A consultation exercise as part of the office rationalisation programme has been completed, and identified the number of staff that will be most affected by work base changes. Ongoing support to staff to ensure a smooth transition to the new workplace.

- 33 Workplace charters will be developed to support future ways of working. Pulse staff survey workshops have been put in place to explore the feedback from staff in the survey carried out in November 2023. Directorate specific action plans have been developed to address directorate specific issues. A review of agency staff across the council has been completed with a reduction in the number of agency staff from 234 in quarter 3 to 196 at the end of quarter 4. Ongoing monitoring of agency staff is now overseen by CEBERT to ensure a more permanent stable resource is in place.
- 34 **Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks;** Details of the Oflog reporting are still to be confirmed and the risk's actions will be updated once the final details have been agreed. Preparations for the May elections have gone well, with no material issues to report. The additional voting reform administrative burden is being managed but is a new process and as such carries some additional risk. Productivity plan action updated, not an area of concern.
- 35 There is uncertainty around the future shape of devolution within England due to the upcoming general election and possible change of government. The election may also impact on progress of the transition plan, due to the pre-election period. However overall, no change to the risk in Q3 review.
- 36 **Failure to Adhere to Agreed Governance Processes;** The risk has not changed in score or description during Q4. The process of identifying internal control issues continues, however it is acknowledged that the time taken to resolve issues needs to be improved. Director of Finance and Customer Service (Section 151 Officer) left in May, the immediate risk mitigated by the appointment of the interim Chief Finance Officer, pending permanent recruitment. The introduction of the management Boards should help cross organisation working and reduce the risk of siloed decision making.
- 37 The LGA Corporate Peer Challenge took place at the end of March. Initial feedback has been provided, but formal reporting on this will take

place by the end of July and an action plan and a response will be prepared by the end of August. If needed, the impact of the Corporate Peer Challenge findings will be reflected in the next update to the strategic risk register.

38 **Stakeholder Expectation & Communication:** No change to the risk ratings at this time. Coverage and public/media interest in the council through Q4 included:

7. Budget setting and council tax
8. In-year financial position
9. Exceptional financial support
10. Poynton Pool planning application
11. New Chief Executive
12. Leisure Services review
13. Garden waste subscriptions
14. Parking review
15. Potholes and road maintenance
16. Planning enforcement
17. Active travel schemes
18. Springfield special school extension

39 Consultation activity has continued to feature as part of committee decisions and consultation reports are routinely referenced as part of the decision-making evidence. There are further opportunities to embed consultation practice into the decision-making process more consistently across the organisation and the varying decisions that committees determine. Work on this is progressing. This will help stakeholders to have greater clarity about how consultation can be, and is, used to inform decision-making.

40 The council undertook extensive consultation and engagement activity to support the annual budget setting process. Consultation responses were used to influence and inform councillors' decision making when approving the Budget.

41 **Information Security and Cyber Threat;** There continues to be significant threats from state sponsored activity, particularly in this election year on Government both central and Local and the support service such as NHS. Several organisations have already fell victim causing substantial loss of services and data. Therefore, there is no change to the risk rating at this time. 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. Access from locations outside of the UK are automatically blocked reducing the attack surface.

- b) Application Management – work is ongoing to ensure that MFA and SSO is applied to applications that are cloud hosted.
- c) Data Security – continued enhancement of the existing security controls to ensure that the latest threats are mitigated and protected. Work is continuing to strengthen the resilience capabilities of data storage and protection. Work has progressed to refresh the Cyber Incident Response Plan and associated workbooks 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.

- 42 **Business Continuity;** No material change to the risk, development activity for a SharePoint application has continued. 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

- 43 **Capital Projects – Place;** Net score increased from 8 to 12. Middlewich Eastern Bypass has been delayed due to a delay in the decision from the Department for Transport (DfT), expressing concerns about value for money. More work is now required to evidence this and provide further value engineering; with the delay itself adding inflationary cost to the scheme. The value for money assessment is directly related to extreme construction inflation over the last two years.
- 44 The A500 Dualling scheme has been agreed to be rescoped following the cancellation of HS2 and the DfT have agreed to provide development funding to cover the cost of this.

- 45 **Failure of the Local Economy;** There is little change in the national economic position, the Office for National Statistics has reported marginal growth in GDP (0.1%) during February 2024 and has revised upwards growth levels in January 2024 to 0.3% from 0.2%. Locally, the cancellation of HS2 is still denting the confidence of businesses.

Environment and Communities Committee

- 46 **CEC's Carbon Neutral Status;** The corporate plan objective to be a carbon neutral council by 2025 was amended to 2027 by the February Full Council budget decision. Although this provided additional time and spread the capital spend, the business case still required significant progress this year to meet the 2027 target. The Council's capital review has paused the previously authorised key capital projects of procurement of the second solar farm, progressing our largest proposal for tree planting for the next planting season and continuing the next phase of Electric Vehicle transition. Without direction from the Capital Review to proceed, achievement of the new 2027 target of the program is at risk. Net and target scores both increased to the highest possible rating.
- 47 **Local Planning Authority Modernisation;** No change to overall risk ratings but some progress is being made on key areas, the ICT project remains the main concern. Further escalation has taken place with supplier and implementation of the planning system is now scheduled for July 2024 and Land Charges soon after. Concern also remains that all elements of the system may not be delivered along with escalating costs, hence legal intervention to seek appropriate compensation against original contract. Significant staff input from Service required for testing and training over Q1 2024/25.
- 48 A restructure timetable is now set with formal staff consultation to begin in April 2024. Completion of the structure (with the exception of new appointments to vacancies) should be complete by June 2024. The backlog of applications has reduced but stalled due to staff sickness and vacancies. Additional Capita support is in place on the back of Department of Levelling Up, Housing and Communities funding.
- 49 Validation checklists complete and awaiting adoption in May. Recommendations from the S106 audit are on track for completion by Q1 24/25. Other key customer improvements currently being reviewed to ensure customer expectations can be met given resource issues and competing demands from above priorities.

Highways and Transport Committee

- 50 The Highways and Transport Committee have no specific strategic risks at this time but this remains under on-going review.

Wholly Owned Company Risk Registers

- 51 See Appendix B, C and D (Part 2 item)

Emerging Issues

- 52 Whilst the Corporate Policy Committee will receive the Quarter 1 update at the 3rd of October 2024, meeting, there are emerging indications for that update.
- (a) The impact of the transformation project should begin to feed through into the strategic risks, by way of impact on scope, ratings and mitigating actions.
 - (b) The outcome of the iLACS Ofsted inspection will be addressed, most likely with the creation of a new risk focusing on successful delivery of an improvement plan, similar to the approach taken for JTAI.
 - (c) Clarification around the carbon neutral risk and its funding, and a more general indication upon if a sustainable MTFS is being delivered
 - (d) The impact of the General Election in terms of political direction and strategy upon local government.

Consultation and Engagement

- 53 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

- 54 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

55 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

56 Monitoring Officer/Legal

There are no direct legal implications arising from the recommendations of this report. This report provides assurance that the Council achieves its strategic aims and operates its business, under general principles of good governance, that it identifies risks which threaten its ability to be legally compliant and operates within the confines of the legislative framework.

57 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.

58 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
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59 Equality, Diversity and Inclusion

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

60 Human Resources

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

61 Risk Management

This report relates to overall risk management and provides the Corporate Policy Committee with awareness of the most significant risks facing the Council, where strategic risks are emerging and assuring the Committee on how these are being managed.

62 Rural Communities

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

63 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.

64 Public Health

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

65 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:	CPC Q4 Strategic Risk Assurance - Appendix A CPC Q4 ANSA Risk Assurance - Appendix B (PART 2) CPC Q4 Orbitas Risk Assurance - Appendix C (PART 2) CPC Q4 TPE Ltd Risk Assurance - Appendix D (PART 2)
Background Papers:	CPC Strategic Risk Register Q3 Report 21 March 2024