

Audit and Governance Committee

Agenda

Date: Thursday, 7th March, 2024
Time: 10.00 am
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

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 and Overview and Scrutiny 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 3 - 8)

To approve as a correct record the minutes of the meeting held on Thursday 7 December 2023.

For requests for further information

Contact: Nikki Bishop

Tel: 01270 686462

E-Mail: nikki.bishop@cheshireeast.gov.uk with any apologies

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 Update** (Pages 9 - 12)

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

6. **External Audit Findings and Action Plan 2022/23** (Pages 13 - 60)

To receive the final version of the Statement of Accounts for 2022/23.

7. **Certification of Housing Benefit Subsidy Claim 2022/23 and Teachers Pensions Return 2021/22** (Pages 61 - 64)

To receive a report on the outcome of the External Auditor's certification process for the 2022/23 Housing Benefit Subsidy claim and the 2021/22 Teachers' Pension End of Year Certificate.

8. **Risk Management Update Q2 2023-24** (Pages 65 - 120)

To receive an update on the effectiveness of risk management arrangements in the Council.

9. **Draft Internal Audit Plan 2024/25** (Pages 121 - 142)

To consider the proposed Internal Audit Plan for 2024/25.

10. **Final Annual Governance Statement 2022/23** (Pages 143 - 190)

To receive the final Annual Governance Statement 2022/23.

11. **Section 106 - Audit Review Update**

To receive a verbal update on the Internal Audit Review – Section 106.

12. **Work Programme** (Pages 191 - 194)

To consider the Work Programme and determine any required amendments.

Membership: Councillors S Adams, M Beanland (Chair), K Edwards (Vice-Chair), A Heler, C Hilliard, M Houston, G Marshall, P Redstone and J Snowball

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 7th December, 2023 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, A Heler, C Hilliard, M Houston, M Gorman, P Redstone
and J Snowball and Mr R Jones and Mrs J Clark.

OFFICERS IN ATTENDANCE

David Brown, Director of Governance and Compliance (Monitoring Officer)
Josie Griffiths, Head of Audit and Risk Management
Michael Todd, Internal Audit Manager
Jane Gowing, Interim Director – Planning
Nikki Bishop, Democratic Services Officer

ALSO IN ATTENDANCE

Tom Greensill, Mazars (External Auditors) (virtual)

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor G Marshall.
Councillor M Gorman was present as substitute.

2 DECLARATIONS OF INTEREST

Councillor M Houston, in the interests of openness and transparency, declared that in relation to agenda item 8 (Proposed Terms of Reference – Audit and Governance Committee) she was the current Cheshire East Deputy Mayor and that prior to this she had held a senior position within the Labour Group as Deputy Group Leader (until April 2023). The Monitoring Officer confirmed that Cllr Houston would be able to contribute to the debate and vote on the relevant agenda item as the role of the Mayor and Deputy Mayor was apolitical and as Cllr Houston no longer held a senior political position within the Labour Group.

3 MINUTES OF PREVIOUS MEETING

It was requested that the minutes of the previous meeting be amended to reflect Mr Ron Jones' attendance at the meeting.

RESOLVED:

That the minutes of the meeting held on Thursday 28 September 2023 be approved as a correct record, subject to the above amendment.

4 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public registered to speak.

5 ACTION LOG UPDATE

The Committee reviewed the action log. The following updates were provided:

S106 Internal Audit

The Committee received an update on the progress of actions arising from the S106 Internal Audit. The Committee welcomed the update and thanked officers for their work in ensuring positive progress was made in developing new processes and governance arrangements for S106 going forward. The Committee were pleased to learn that Councillor Snowball, a member of both the Audit and Governance Committee and Environment and Communities Committee would provide a key link between the two Committees as work continued to progress.

It was noted that the successful recruitment to a vacant S106 Officer post would add both capacity and resilience to the resource in the team and that this would ultimately assist in the successful monitoring of the Exacom system, ensuring records were kept up to date.

The Committee were keen to ensure that Member involvement was taken into consideration, with Members being involved in the early stages of developing new processes and governance arrangements. It was noted that the Terms of Reference for the S106 Member Working Group had been agreed and the group would meet on 11 December 2023, the outcome of the Working Group would help inform future discussions with wider Members, including how data from Exacom could be shared with local ward Members. Members requested that the presentation shared be circulated to all Committee Members.

Land Transactions – Internal Audit Investigation

The Committee noted that the internal audit work had been completed and that a written response would be sent to Ms D Jamieson who had previously requested updates on the investigation outcomes.

Customer Services Strategy

It was noted that the report considered by the Corporate Policy Committee in October 2023 had been circulated to the Committee and that this item would be removed from the action log.

Costs of Member Enquiries and Complaints

The Monitoring Officer committed to providing a written response which would be circulated to all Committee Members.

RESOLVED:

1. That the Audit and Governance Committee note the updates provided on the Action Log.

6 EXTERNAL AUDITORS - AUDIT PROGRESS REPORT

The Committee received a report from Mazars, which set out the audit progress and conclusions of the appointed External Auditor for the Council's Statement of Accounts (year ending 31 March 2023). The Committee noted that the External Auditors anticipated that the final audit completion report and audit opinion would be completed in January 2024. It was noted that the External Auditors had reviewed the Audit Strategy Memorandum and had not identified any new significant risks or areas of management judgement.

The Committee received an update on control weakness identified and noted that, following the external audit review of the Cheshire Pension Fund auditor letter, Grant Thornton had identified a control weakness as a result of the Cheshire Pension Fund not being able to agree the total number of active, deferred pensioners, dependents and undecided Members which had been submitted to the actuary back to the underlying information system which the Pension Fund maintained. It was noted that appropriate assurance had been obtained over the completeness and accuracy of the data used in the actuary in relation to the pension figures and this was not a material misstatement. It was confirmed that the issue would be raised in a control recommendation in the final audit conclusion report. Cllr Gorman confirmed that both he and Cllr Snowball were members of the Cheshire Pension Fund and would take back the concerns raised to their next meeting.

The Committee queried the Council's position on valuations of property and assets (rolling revaluation model) which sees all land and buildings revalued in a five-year cycle. The Committee requested a written response from the S151 to seek reassurance on the Council's position and confirmation that valuations of assets were relative to the assets current condition.

The Committee noted the internal control recommendations outlined within the report particularly in relation to expected credit loss provision in respect of housing benefits and adult social care debt which had been calculated based on percentages from 2019. Mazars recommended that this percentage be updated annually to reflect the current profile of debt and the potential effect this had, taking into account economic conditions. The Committee requested that a written response be provided and shared with the Committee from the S151 Officer.

The Committee noted that two internal control recommendations related to the end of year accounts which had not been signed as reviewed, and the payroll bank reconciliation hadn't been signed as prepared. The Committee agreed that this was an important recommendation that needed to be addressed, with reconciliations being signed as prepared and reviewed on a timely basis. The Committee requested that the S151 Officer provide the Committee with a written response on this matter.

It was reported that, following the verbal update provided to the Committee in September 2023 where a perceived risk of significant weakness relating to the arrangements in financial sustainability was highlighted, Mazars confirmed that having obtained a detailed understanding of how the Council was planning to reduce its forecast, the management arrangements in place and challenging the delivery of the mitigations identified, they considered that there was no actual significant weakness in the Council's financial sustainability arrangements however the Council's financial position for 2023-24 was acknowledged as challenging. It was confirmed that the role of the External Auditor was not to make comment on, or to determine what the future financial position of the Council would be, but to determine whether or not the Council was addressing risks and that there was value for money in the actions being taken. It was agreed that officers would arrange training for the Committee on the role of external audit.

7 INTERNAL AUDIT UPDATE - PROGRESS AGAINST INTERNAL AUDIT PLAN 2023-24

The Committee received a report that provided an update on work undertaken by Internal Audit between April 2023 – September 2023 and how this work, along with planned work for the remainder of the financial year, would contribute to the Annual Internal Audit Opinion for 2023-2024.

The Committee queried Care at Home and the measures in place to measure and assess the delivery of services provided by non-commissioned providers, including the financial impact of approving the use of non-commissioned providers. Officers confirmed that the appropriate monitoring arrangements were in place, and that a written response would be sent to the Committee in relation to the financial impact.

RESOLVED:

That the Audit and Governance Committee

1. Note the contents of the Internal Audit Update Report Q1-Q2 2023-24.

8 PROPOSED TERMS OF REFERENCE - AUDIT AND GOVERNANCE COMMITTEE

The Committee considered the report and revised Terms of Reference for the Audit and Governance Committee, as considered and prepared by the Audit and Governance Terms of Reference Working Group.

The Committee reflected on the proposals arising from the recent Corporate Policy Committee to Full Council on 13 December 2023, relating to the merging of the Scrutiny Committee functions into the functions of the Audit and Governance Committee. The Committee agreed that further assessment and consideration of the proposals was needed. It was therefore proposed, seconded and subsequently carried that the Committee formally recommended that Council defers the decision on this matter.

RESOLVED:

That the Audit and Governance Committee

1. Recommend to Full Council the adoption of the Audit and Governance Committee Terms of Reference (Appendix 2).
2. Request that Full Council note the Committee's concerns and defers the decision relating to the proposals recommended by the Corporate Policy Committee to merge the functions of the Audit and Governance and Scrutiny Committees, which is contrary to advice from CIPFA and the Centre for Governance and Scrutiny. The Audit and Governance Committee request that the decision of Full Council relating to the merger of the functions of the Scrutiny Committee into the Audit and Governance Committee be deferred to allow further consideration to be given as to the impact, risks, efficacy and value for money of merging the functions of the Committees, with a report back to the Audit and Governance Committee to consider the proposal further.

9 AUDIT AND GOVERNANCE COMMITTEE - PROGRESS AGAINST CIPFA REVIEW ACTIONS

The Committee received the report which provided an update on progress made on the implementation of actions agreed after the CIPFA Review of the Audit and Governance Committee. The Committee noted that good progress had been made against the 11 recommendations and 23 actions, including the appointment of the second Co-Opted Independent Committee Member, the introduction of All Committee Member Briefings and pre/post meetings between the Chair, Vice Chair and lead officers for the Committee. The Committee agreed that a further update should be presented back to a future Committee meeting, once all actions had been completed.

RESOLVED:

That the Audit and Governance Committee

1. Note the progress made on the implementation of actions following the CIPFA review of the Audit and Governance Committee.

10 WORK PROGRAMME

The Committee considered the Work Programme, and noted the following:

- It was agreed that Informal Briefing Sessions would be included in both the Annual Report and Committee Work Programme going forward.
- Consideration to be given as to how Members of the Committee could raise areas of concern/interest at future meetings, such as a standing item on each formal Committee agenda.
- Officers to review and progress the proposals for the following items to be added to the Committee Work Programme:
 - o Committee Self-Assessment
 - o Skills Audit

RESOLVED:

That the Work Programme be received and noted.

The meeting commenced at 10.00am and concluded at 13.15pm

Councillor M Beanland (Chair)

Audit and Governance Committee - Action Log

Committee Date	Report Title	Action	Lead Officer	Update on Progress	Status
28 September 2023	S106 Key Findings – Internal Audit Report	<p>The Committee requested that an update on the management and monitoring arrangements for S106 Funds be added to the Committee Work Programme for March 2024, with a verbal update to be provided at the December 2023 Committee</p> <p>Additional action arising on 7/12/2023 – Presentation shared at Committee to be circulated by email to all Committee Members.</p>	Head of Audit and Risk Management	<p>Verbal update provided at the 7 December 2023 Committee Meeting. Presentation circulated to Members on 8/12/2023.</p> <p>Further update on agenda for 7 March 2024.</p>	
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)		
7 December 2023	Audit and Governance Committee – Progress Against CIPFA Review Action	Further report to be scheduled for an Audit and Governance Committee meeting, once all actions have been completed.	Head of Audit and Risk Management	Report notification form completed – added to Committee Work Programme for May 2024.	

7 December 2023	Minutes of the previous meeting	Minutes from the previous meeting be amended to reflect Mr Ron Jones' attendance.	Democratic Services Officer	Completed – minutes amended and republished.	
7 December 2023	Work Programme	Committee Briefing Sessions to be included on the Committee Work Programme, going forward.	Democratic Services Officer	Noted for future reference (no training sessions currently scheduled as yet).	
7 December 2023	Work Programme	Officers to review and progress the proposals for the following items to be added to the Committee Work Programme: o Committee Self-Assessment o Skills Audit	Head of Audit and Risk Management		
7 December 2023	External Auditors – Audit Progress Report	The Committee requested a written response from the S151 on the following matters: - Valuations of property and assets - Credit loss provision in respect of housing benefits and adult social care debt, calculated using 2019 percentages. - Control recommendations relating to the signing and reviewing of reconciliations (end of year accounts and payroll) being completed on time.	Director of Finance and Customer Services (S151 Officer)		
7 December 2023	Internal Audit Plan 2023-24	Written response to be sent to Mr Ron Jones (cc wider Committee) in relation to the financial impact of approving the use of non-commissioned providers.	Internal Audit Manager	Written response provided 28/02/2024	
7 December 2023	External Audit	Training Session to be organised for the Committee with Mazars in attendance to	Head of Audit and Risk Management		

	Progress Report	develop the Committee's understanding of the role of the external auditors.			
7 December 2023	External Audit – Progress Report	Future reports to include symbol ratings to ensure reports are accessible for all.	External Auditors	Comments from the Committee have been noted, and Mazars have confirmed that future reports will reflect these.	

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OPEN

Audit and Governance Committee

Thursday, 7 March 2024

External Audit Findings and Action Plan 2022/23

Report of: Alex Thompson, Director of Finance and Customer Services (s151 Officer)

Report Reference No: AG/29/23-24

Ward(s) Affected: (All Wards);

Purpose of Report

- 1 The purpose of this report is to present the Audit Completion Report by Mazars, the Council's external auditors. The report summarises the findings of the 2022/23 Audit.

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

Executive Summary

- 2 The Audit Completion Report by Mazars, the Council's external auditors summarises the findings of the 2022/23 Audit Report and is appended to this paper.
- 3 The report identifies the key issues that have been considered by Mazars before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.
- 4 As a result of the audit work and subsequent findings there have been no material changes to the Statement of Accounts for 2022/23 since it was published on the Council's website on the 31st May 2023.
- 5 The changes that are required following the audit are in the main due the reversal of infrastructure related de-recognised

expenditure that is no longer required due to the accounting override that is in place, changes to the Pensions net liability and re-categorisation of income and expenditure. The overall figures in the main statements to the accounts have remained the same.

- 6 The Value for Money work for 2022/23 is still on-going and an update has been provided by Mazars within the Audit Completion report (Section 7, page 25) . Mazars will provide a further update in the Auditor's Annual Report that will be provided within three months from the date of audit opinion.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Receive the Audit Completion Report for the year ending 31st March 2023.
2. To delegate authority to the S151 Officer to:
 - a) Sign off the Statement of Accounts for 2022/23, once the audit has concluded, and
 - b) notify Committee Members of the final signed Accounts being published on the Council's website.

Background

- 7 The auditors are responsible for giving an opinion on:
- a) Whether the accounts give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council's and the Group's expenditure and income for the years then ended;
 - b) Whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23;
 - c) Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.
- 8 The findings in relation to these areas are set out in Sections 3 – 6 of the Audit Completion Report, attached as Appendix A.
- 9 As the Council's appointed auditors, representatives of Mazars will attend the Committee to report their findings directly to Members.

Consultation and Engagement

- 10 In accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015, the accounts were made available for public inspection between 1 June to 12 July 2023.

Reasons for Recommendations

- 11 The appointed auditors are required to report to those charged with governance. The Audit Completion Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2022/23.

Other Options Considered

- 12 Not applicable.

Implications and Comments

Monitoring Officer/Legal

- 13 There are no legal implications identified.

Section 151 Officer/Finance

- 14 As covered in the report.

Policy

- 15 There are no policy implications identified.

Equality, Diversity and Inclusion

- 16 There are no equality implications identified.

Human Resources

- 17 There are no human resources implications identified.

Risk Management

- 18 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

- 19 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)

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

Public Health

21 There are no direct implications for public health.

Climate Change

22 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Alex Thompson Director of Finance and Customer Services (s151 Officer) alex.thompson@cheshireeast.gov.uk
Appendices:	Appendix A – Audit Completion Report
Background Papers:	Statement of Accounts and Annual Governance Statement 2022/23

Audit Completion Report

Cheshire East Council– Year
ended 31 March 2023

27 February 2024



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Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit and Governance Committee
Cheshire East Council
Westfield, Middlewich Road
Sandbach
CW11 1HZ

07 March 2024

Dear Committee Members

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 28 September 2023. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully

Suresh Patel, Partner

Mazars LLP

Mazars LLP – 30 Old Bailey London EC4M 7AU

Tel: 020 7063 4000 – www.mazars.co.uk

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We are registered to carry out audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

01

Section 01: **Executive summary**

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office’s (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of the net defined benefit liability; and
- Valuation of property, plant and equipment, and investment property.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements relating to two classification errors total £11,344k. This does not impact on the surplus or deficit on provision of services or the general fund balance. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2023. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor’s report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We have considered the financial difficulty the Council faces and the arrangements the Council has in place for financial sustainability. Our work on value for money is ongoing and we will continue to assess the Council’s arrangements, particularly those relating to financial sustainability. We anticipate completing our VFM work and issuing our commentary on this at the date we issue the audit report. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have received group instructions from the National Audit Office in respect of our work on the Council’s WGA submission and will commence this work shortly.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

Section 02:

Status of the audit

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Risk of material adjustment or significant change	Description of the outstanding matters
Land and building revaluations	Medium	We are waiting on responses to our queries from the Council's valuer asking for further support relating to differences in land value used in the calculation of the value of assets and the comparable information provided.
PFI Liability	Low	We are close to completing our work in this area and are following up a query with the finance team following our challenge of the PFI amounts due in future years given that one PFI asset was destroyed by a fire and the provider has not yet rebuilt the asset.
ITGC testing	Low	Our work in this area is nearing completion with one outstanding query, no issues have been identified.
Final review procedures	Medium	We are completing our file review which includes specific manager review of completed sections, alongside review by the engagement partner and engagement quality review partner.
Events after the reporting period	Low	Review of events after the reporting period, up to the point at which we sign our audit report. We will require confirmation regarding the status of the potential capital direction for debt taken on to finance HS2 costs.
Whole of Government Accounts (WGA)	Low	We have received group instructions from the National Audit Office in respect of our work on the Council's WGA submission and will commence this work shortly. However, we will be unable to conclude our work and complete the assurance statement until the NAO have selected sampled components.

High - Likely to result in material adjustment or significant change to disclosures within the financial statements.

Medium - Potential to result in material adjustment or significant change to disclosures within the financial statements.

Low - Not considered likely to result in material adjustment or change to disclosures within the financial statements.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in September 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

Our provisional materiality at the planning stage of the audit was set at £18m for the Group financial statements and £17.7m for the Council single-entity statements using a benchmark of 2% of gross operating expenditure. No changes to the materiality level set at the planning stage have been made.

Use of experts

We have not made changes to the planned use of experts as set out in our Audit Strategy Memorandum to assist in our audit procedures. Please see table below:

Item of account	Management's expert	Our expert
Defined benefit liability/asset	Hymans Robertson Actuaries	PwC consulting actuary, on behalf of the National Audit office
Property, Plant and Equipment and Investment Property valuation	Montagu Evans	We will use available third-party information to challenge the key valuation assumptions
Financial instruments disclosures	Arlingclose Treasury Advisors	We will review the expert's methodology in calculating the fair value disclosures to confirm the reasonableness of assumptions used

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our audit approach.

Item of account	Management's expert	Our expert
Payroll, non-pay expenditure, and other transactional items of account	Cheshire transactional services (shared services)	We obtained assurance by understanding the process and controls that the Council has in place to assure itself that transactions are processed materially correctly. Our testing will include sample testing of transactions based on evidence available from the Council rather than the Shared Service.

3. Audit approach

Group audit approach

Cheshire East Council prepares Group accounts and consolidates the following subsidiary companies within its Group accounts:

- Cheshire East Resident First Limited (CERF) - 100% owned by Council
- ANSA Environmental Services Limited, Transport Service Solutions Limited and Orbitas Bereavement Services Limited - 80% owned by CERF and 20% by Council.

Our approach reflected the size and complexity of the transactions and balances within the subsidiary company that are consolidated into the Council's Group financial statements. Our approach is outlined below, and we confirm that there are no changes to the planned approach set out in our Audit Strategy Memorandum.

Group component	Approach adopted	Key points or other matters to report
Cheshire East Council	Full audit	Full audit – matters included in this report
Cheshire East Resident First Limited (CERF)	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
ANSA Environmental Services Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Transport Service Solutions Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.
Orbitas Bereavement Services Limited	Review procedures	Assurance gained from analytical procedures supported by a review of the Council's consolidation processes. There are no matters arising from our work that we need to bring to your attention.

Full audit

Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality

Audit of balances and/or disclosures

Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality

Specific audit procedures

Performance of specific audit procedures on the component's financial information

Review procedures

Review of the component's financial information prepared for group reporting purposes using the component materiality assigned

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

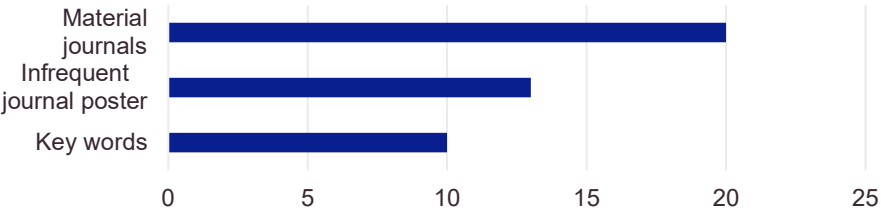
- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 17 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Significant risks

Management override of controls	Description of the risk
	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk
	We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	There were no significant findings arising from our review of areas of potential management override of controls which we need to bring to the Committee’s attention.

Analysis of work performed

The figure below highlights the spread of journals selected for testing across identified risk factors for our review. For 2022/23 the Council posted 7,427 manual journals that impacted the general ledger. Our risk analysis identified 43 of these journals for testing for the reasons shown.



Our testing confirmed that all the selected items were valid journal postings.

4. Significant findings

Valuation of defined benefit asset	<p>Description of the risk</p> <p>The pension asset represents a material element of Cheshire East Council’s balance sheet. The Council is an admitted body of the Cheshire Pension Fund (CPF) which had its last triennial valuation completed as at 31 March 2022. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council’s overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council’s employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council’s pension asset are not reasonable or appropriate to the Council’s circumstances. This could have a material impact to the net pension asset in 2022/23.</p> <hr/> <p>How we addressed this risk</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none">• Critically assessing the competency, objectivity and independence of the CPF’s Actuary, Hymans Robertson• Liaising with the auditors of the CPF (Grant Thornton) to gain assurance that the controls in place at the Pension Fund are operating effectively. This includes the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate.• Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office.• Agreeing the data in the IAS19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council’s financial statements. <hr/> <p>Audit conclusion</p> <p>Our work in this area is now complete and is being subject to final review procedures. We have received the IAS 19 report from the actuary which appropriately recalculates the asset ceiling which places a cap on the extent to which a net defined benefit asset may be recognised. The Council’s actuary previously calculated the asset ceiling using a finite period for future service contributions, where an infinite future service period should have been assumed. This has resulted in an audit adjustment of £(267,294)k changing the defined benefit asset to a defined benefit liability of £71,205k.</p> <p>From our review of the Pension Fund auditor letter upon which we rely for assurance over the completeness and accuracy of data, we have identified that the Pension Fund have a control weakness we wish to bring to the attention of members. Grant Thornton, the pension fund auditor were unable to agree the total number of active, deferred, pensioner, dependant and undecided members submitted to the actuary to the underlying information system maintained by the pension fund, due to disparities noted between the database used by the Pension Fund and the underlying records. Sufficient appropriate assurance was obtained over the completeness and accuracy of the data used by the actuary to conclude there was is no material misstatement by testing the underlying data to the submission.</p>
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4. Significant findings

Valuation of property, plant and equipment (Land and Buildings) and Investment Properties	<p>Description of the risk</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five-year cycle.</p> <p>The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that the value of individual assets which have not been valued for up to four years are not materially fairly stated at their current value as at the end of the reporting period. In addition, as the valuations are undertaken through the year there is a risk that the value of the assets is materially different at the year end.</p>
	<p>How we addressed this risk</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none">•Obtaining an understanding of the Council’s valuer’s qualifications, objectivity and independence to carry out such valuations.•Reviewing the valuation methodology used in the year including testing the underlying data and assumptions.•Considering whether the overall revaluation methodologies used by the Council’s valuers are in line with industry practice, the CIPFA code of practice and the Council’s accounting policies.•Reviewing the approach that the Council has adopted to address the risk that assets not subject to valuation in 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the Council’s valuers.•Considering the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.
	<p>Audit conclusion</p> <p>Our work on this risk is substantially complete, but we are waiting for response from the valuer on several remaining sample items where there are differences between the land value per hectare used in the calculations and the land value per the comparable properties. No issues have been noted otherwise in the testing.</p>

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets, published in November 2022, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council were of a good quality and produced before the deadline of 31 May 2023. Good quality working papers have been made available in a timely manner and these have assisted in our audit progress. Council finance officer colleagues have prioritised responding to our audit queries.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right

to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Post Balance Sheet Events

We will continue to review events after the reporting period up to the point at which we sign our audit report. We will require confirmation from management regarding the status of the potential capital direction for debt which was taken on to finance HS2 related costs prior to the cancellation of phase 2, as well as any other significant events. These will need to be clearly presented in the post balance sheet events disclosures in the final set of financial statements.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to Those Charged With Governance any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

5. Internal control recommendations

Recommendations on internal control – Level 3 (low)

Description of deficiency

The expected credit loss provision for housing benefits and adult social care debt is calculated based on percentages calculated in 2019 which have not been updated to reflect the current profile of debt.

Potential effects

The amount provided for may not be accurate and may fail to take into account prevailing economic conditions.

Recommendation

The Council should review the percentages used for the calculation of the expected credit loss provision in respect of housing benefits and adult social care annually.

Management response

The provision is reviewed annually but we agree that the calculation basis has not been formerly reviewed since 2019. We have now completed a review of the level of debt and applied more appropriate percentage calculations based on current trends in recovering the debt. This new calculation basis will be applied in 2023/24.

Description of deficiency

Year-end accounts payable and receivable reconciliations were not signed as reviewed, and the payroll bank reconciliation was not signed as prepared. One school bank reconciliation was not prepared.

Potential effects

Amounts included in the financial statements may be misstated.

Recommendation

Reconciliations should be signed as prepared and reviewed on a timely basis.

Management response

Agreed - all reconciliations should be completed and reviewed in a timely manner. The Council will ensure that all reconciliations are completed and reviewed during the year.

5. Internal control recommendations

Follow up on previous internal control points

The internal control points reported in the 2021-22 ACR relate to IT general controls. Our audit work over in this area is near completion, with two requests outstanding. We note that no issues have been found in our testing of new user access.

Description of deficiency

Our testing of Unit 4 privileged access users identified 46 users that retained systems access to the in-scope application post their leave date.

Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

Recommendation

The leavers process should be adhered to in full in order to ensure that colleagues and third parties no longer requiring access to systems and data are removed on a timely basis.

2022/23 progress update from management

The leavers process for user access management is now established and user accesses are closed in a timely manner as part of the leaver process. There are multiple strands to user access within Unit4 as user permissions are defined by the position the user is linked to. Once the leaver process is completed those users are identified for user access termination but it is the ending of the employment in the position that removes functional access; system access without the functional permissions from the position would not allow a user to transact in Unit4.

Processes are now in place to ensure that accesses are only provided if line management approval is in place but as the access is position based and this process will now be ingrained the act of granting transactional permissions within Unit4 will largely be attained through being employed in an existing position with the associated defined and agreed accesses.

2022/23 update following audit work

At the time of writing, we are waiting for response to our request from IT staff.

5. Internal control recommendations

Follow up on previous internal control points

The internal control points reported in the 2021-22 ACR relate to IT general controls. Our audit work over in this area is near completion, with two requests outstanding. We note that no issues have been found in our testing of new user access.

Description of deficiency

A new user was granted access to Unit 4, the in-scope application, prior to approval of the request

Potential effects

Inappropriate access that is not commensurate with job role may lead to unauthorised activity and transactions.

Recommendation

Management should ensure that there is appropriate approval prior to granting access to systems.

2022/23 update following audit work

No such issues were identified as part of our testing of IT General Controls this year.

5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

Our testing of the leases identified an instance where signed copy of lease agreement was not obtained and retained on file.

Potential effects

In the absence of a signed lease agreement there is a risk of incorrect rental income being charged to the accounts and an increased risk of legal difficulties in the event of any contractual disputes.

Recommendation

The Council should ensure that proper, completed, signed documents are retained for each lease.

2022/23 update following audit work

Our audit testing did not find any such instances in the current year

Description of deficiency

Our journals testing identified one instance of a journal being posted without a line description.

Potential effects

Posting journals without descriptions diminishes the audit trail and increases the risk of erroneous or fraudulent transactions being posted to the ledger undetected.

Recommendation

There should be a review process to ensure that journals without descriptions are not posted to the ledger.

2022/23 progress update from management

The Council completes an annual review of journals processed during the year to ensure that all journals have a relevant description. Where a description is missing the transaction is reversed and posted corrected in the General Ledger.

2022/23 update following audit work

Our audit testing did not find any such instances in the current year. Cheshire East Council had performed an exercise to ensure that all journals without a line description had been appropriately addressed.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £531k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Fees, Charges and Other Service Income	11,344		0	0	We noted two misclassifications of income £5,033k and £6,311k totalling to £11,344k when agreeing the testing populations to the financial statements. This does not result in a change to surplus or deficit on the provision of services
1	Credit: Government Grants and Contributions		(11,344)			
Total unadjusted misstatements		11,344	(11,344)	0	0	

6. Summary of misstatements

Adjusted misstatements		Comprehensive Income and Expenditure Statement Debit (£'000)	Comprehensive Income and Expenditure Statement Credit (£'000)	Balance Sheet Debit (£'000)	Balance Sheet Credit (£'000)	Description of unadjusted misstatement
1	Debit: Remeasurement of the Net Defined Pension Benefit Liability	267,294	0			The Council's actuary had calculated the asset ceiling using a finite period for future service contributions, where an infinite future service period should have been assumed. This has resulted in an audit adjustment of £(267,294)k changing the defined benefit asset to a defined benefit liability of £71,205k.-
	Debit: Pensions Reserve			267,294		
	Credit: Net Pension Liability				(267,294)	
2	Debit: PPE			13,019		We noted that Infrastructure Assets accounting policy had not been updated in line with the infrastructure note following the statutory override which the Council adopted in 2021-22. This resulted in derecognition occurring in 2022-23 in the infrastructure asset note where this should be nil when following Regulation [30M England or 24L Wales] of the Local Authorities (Capital Finance and Accounting) (England/Wales) (Amendment) Regulations 2022 "that the carrying amounts to be derecognised for infrastructure assets when there is replacement expenditure is nil".
	Debit: MiRS			13,019		
	Credit: CIES other expenditure		(13,019)			
	Credit: Capital Adjustment Account				(13,019)	
-	Total unadjusted misstatements	267,294	(13,019)	280,313	(280,313)	-

6. Summary of misstatements

Disclosure amendments

We identified the following significant adjustment when mapping the trial balance to the financial statements that has been corrected by management:

There was a restatement within creditors of £8,619k from Central Government Bodies to Other Local Authorities. This has no impact on the Balance Sheet or the CIES.

We also identified a number of minor disclosure amendments which have been corrected by management.

07

Section 07: **Value for Money**

6. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following completion of our audit work.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2023. In late September 2023, we identified that there was a risk of significant weakness relating to financial sustainability and have undertaken work to determine whether the Council have appropriate and robust arrangements in place, please see overleaf for further detail. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation.

6. Value for Money

Risks of significant weaknesses in arrangements

At the 28 September 2023 Committee meeting we gave a verbal update to the Audit Strategy Memorandum to say that in light of the Council's financial forecast for the year ending 31 March 2024, we had identified a risk of significant weaknesses in arrangements. We report below our response to the identified risk.

Risk of significant weakness	Work undertaken and conclusions reached
<p>Financial sustainability</p> <p>In February 2023, the Council agreed a balanced budget for the 2023/24 financial year. This included £70m of service growth (compared to £21m for 2022/23) and £24m of service savings (£7m for 2022/23).</p> <p>At the 5 October 2023 Corporate Policy Committee, the Director of Finance and Customer Services authored a report entitled 'First Financial Review 2023/24'. This identified a forecast deficit of £26m due to cost pressures in Children's services, higher rates of inflation than expected and increasing interest rate charges .The £26m deficit has already been reduced to £12.8m, following some parts of the Council identifying additional savings. Members have agreed a range of mitigations aimed at reducing the forecast deficit even further including corporate-wide spending management and control (for example freezing vacancies).</p> <p>Whilst the financial challenges faced by the Council are not unique across the local government sector, the evidence we have summarised above, represents a risk of significant weakness to the arrangements that the Council has in place to support its financial sustainability.</p>	<p>Work undertaken</p> <p>In response to the identified risks of significant weakness our planned procedures will include:</p> <ul style="list-style-type: none">• Obtaining an understanding of how the Council is planning to reduce its current forecast deficit for 2023/24 of £12.8m.• Challenging the deliverability of the mitigations identified.• Challenging how the mitigations identified are consistent with other Council plans such as workforce, capital, investment and other operational plans for 2023/24.• Challenging management on how it assesses the impact of the 2023/24 financial outturn and forecast on its Medium-Term Financial Strategy.• Maintaining a regular dialogue with the Director of Finance and Customer Services on the financial forecast for 2023/24 and the impact of the identified mitigations. <p>Conclusions</p> <p>Since we reported the identification of the risk, the Council has published a Second Financial Review which reported that the forecast had worsened from £12.8m to £18.7m despite the range of activities put in place. However, having completed the work outlined above and reviewed the activities of the Cheshire East Budget Emergency Response Team, we have formed the view that there is no actual significant weakness in the Council's financial sustainability arrangements. We recognise that the Council's finances are in a precarious position for the 2023/24 year and that its budget setting process for 2024/25 is proving equally challenging. However, based on the work undertaken and the evidence we have reviewed, we are satisfied that the Council has the expected arrangements currently in place.</p> <p>We will provide more detailed information in the Auditor's Annual Report which will follow the issue of the auditor's report on the accounts.</p>

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Suresh Patel
Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Alex

Cheshire East Council - audit for year ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Cheshire East Council ('the Council') for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2022/23 (the Code), the Code Update and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance & Customer Services and S.151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including those measured at current or fair value.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer’s actions, that arise in the UK or overseas, that are funded or unfunded).

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Appendix A: Draft management representation letter

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance & Customer Services and S.151 Officer for the design, implementation, and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, analysts, regulators or others

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Appendix A: Draft management representation letter

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Group accounts

I confirm I consider where any of the Council's subsidiary companies have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Private Finance Initiative

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Appendix A: Draft management representation letter

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix 1 to this letter.

Other matters

I can confirm in relation to the following matters that:

- I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note to the financial statements fairly reflects that assessment.
- We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Statement of Accounts fairly reflects that assessment.
- I confirm I have considered the treatment of items or probable and potential expenditure notified to us by external parties in line with the accounting standards for contingent liabilities and provisions.
- We confirm that we have assessed the impact on the Council of the on-going Global Banking challenges, in particular whether there is any impact on the company's ability to continue as a going concern, and on the post balance sheet events disclosures. We confirm that our exposure (either direct cash exposure or direct / indirect through investments) with Silicon Valley Bank, Credit Suisse, Signature Bank or any other bank in a distress situation, is not material.
- I confirm the Council has assessed the potential impact of Reinforced Autoclaved Aerated Concrete on the Council, and in particular, whether there are indications of a need for an impairment of the Council's property, plant and equipment or investment property balances. I confirm there are no such indications of impairment in those assets.

Yours faithfully

Alex Thompson
Director of Finance & Customer Services
Section 151 Officer

Appendix B: Draft audit report

Independent auditor’s report to the members of Cheshire East Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Cheshire East Council (‘the Council’) and its subsidiaries (‘the Group’) for the year ended 31 March 2023, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (‘the Code Update’), published in November 2022.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2023 and of the Council’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Finance & Customer Service’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance & Customer Service’s with respect to going concern are described in the relevant sections of this report.

Appendix B: Draft audit report

Other information

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. The Director of Finance & Customer Service is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of The Director of Finance & Customer Service for the financial statements

As explained more fully in the Statement of the Director of Finance & Customer Service’s Responsibilities, The Director of Finance & Customer Service is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update, and for being satisfied that they give a true and fair view. The Director of Finance & Customer Service is also responsible for such internal control as The Director of Finance & Customer Service determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & Customer Service is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 as amended by the Code Update and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Director of Finance & Customer Service is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Appendix B: Draft audit report

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- inquiring with management and the Audit and Governance Committee, as to whether the Council is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

We evaluated the Director of Finance & Customer Service’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to :

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Appendix B: Draft audit report

We are also required to conclude on whether the Director of Finance & Customer Service’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in February 2023.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have not completed our work on the Council’s arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in January 2023, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2023.

We will report the outcome of our work on the Council’s arrangements in our commentary on those arrangements within the Auditor’s Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency, and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency, and effectiveness in the use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency, and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023.

Appendix B: Draft audit report

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Use of the audit report

This report is made solely to the members of Cheshire East Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council’s Whole of Government Accounts consolidation pack;
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources.

[Signature]

Suresh Patel, Key Audit Partner
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

DD/MM/2024

Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix D: Fees

Fees for work as the Authority’s auditor





We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in September 2023. We set out below an indicative analysis of the final fees and will be seeking agreement with the Director of Finance & Customer Services:

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work (Scale fee)	£128,974	£119,034
Additional fees:		
- PPE & IP valuations – use of our expert (Note 1)	£9,000-15,000	£9,940
- Additional testing (Note 2)	£2,500-10,000	£2,500
- Code changes to value for money (Note 3)	£20,000-35,000	£23,750
- Additional work relating to Infrastructure assets	-	£15,000
TOTAL	TBC	170,224



Notes:

1. Additional Testing on Property, Plant & Equipment and Defined Benefit Pensions Schemes as a result of changes in regulatory expectations
2. Additional testing as a result of the implementation of new auditing standards: ISA 220 (Revised): Quality control of an audit of financial statements; ISA 540 (Revised): Auditing accounting estimates and related disclosures; ISA570 (Revised) Going Concern; and ISA 600 (Revised): Specific considerations – audit of group financial statements; ISA 315 (Revised): Identifying and Assessing the Risks of Material Misstatement
3. Additional work as a result of the new Code of Audit Practice, the identified significant risk around financial sustainability and VFM reporting
4. The 2021/22 proposed fees are as per the AAR, but are still subject to agreement.

Appendix E: Other communications

Other communication		Response
	Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations. Or detail significant matters identified.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
	External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none">a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; andb. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
	Going concern	<p>We have not identified any evidence to cause us to disagree with the [Chief Financial Officer] that [ClientName] will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p>

Appendix E: Other communications (continued)

Other communication	Response
 Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those Charged With Governance, confirming that</p> <ul style="list-style-type: none">a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:<ul style="list-style-type: none">i. Management;ii. Employees who have significant roles in internal control; oriii. Others where the fraud could have a material effect on the financial statements; andd. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Suresh Patel

Mazars

30 Old Bailey
London
EC4M 7AU

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*where permitted under applicable country laws.

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OPEN

Audit and Governance Committee

Thursday, 7 March 2024

Certification of Housing Benefit Subsidy Claim 2022/23 and Teachers Pensions Return 2021/22

**Report of: Alex Thompson, Director of Finance & Customer
Services (s151 Officer)**

Report Reference No: AG/27/23-24

Ward(s) Affected: (All Wards);

Purpose of Report

- 1 The purpose of this report is to present the outcome of the External Auditor's certification process for the 2022/23 Housing Benefit Subsidy claim and the 2021/22 Teachers' Pension End of Year Certificate (EOYC).
- 2 The report contributes to the Council's objective of being an open and enabling organisation.

Executive Summary

- 3 The External Auditor's certification process for the 2022/23 Housing Benefit Subsidy claim has concluded with no errors or exceptions identified.
- 4 The External Auditor's certification process for the 2021/22 Teachers' Pension EOYC has concluded with one minor error/exception identified.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

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.

Background

- 5 KPMG were appointed as external auditors, following a joint procurement with the Greater Manchester Councils, to complete the Housing Benefit (Subsidy) Assurance Process and to certify the Teachers' Pension annual statement of contributions. The contract commenced on 1 April 2019. This is in addition to the main audit of the Council's financial statements which is undertaken by Mazars LLP.
- 6 The audit of the Housing Benefits Subsidy Claim was completed in accordance with HBAP Modules 1 and 6 2022/23 issued by the Department of Work and Pensions (DWP).
- 7 Following the completion of the Housing Benefit Subsidy Claim the auditors reported that no errors or exceptions were found as a result of their testing. In addition, no recommendations for improvements to the Council's claims completion process were made to the DWP.
- 8 The certification of the Teachers' Pension End of Year Certificate for the year end 31 March 2022 has been being carried out in accordance with the Teachers' Pensions Regulations 2010 (SI 2010/990) and The Teachers' Pension Scheme Regulations 2014 (SI 2014/512).
- 9 One minor error/exception was noted for which management provided an explanation. The Council is responsible for the preparation and submission of the EOYC and for all corrections prior to submission. Processing of Teachers' Pensions, being part of the Council's payroll, is carried out by the shared Transactional Services, hosted by Cheshire West and Chester Council.
- 10 At the time of writing this report, the certification process for the 2022/23 Teachers' Pension End of Year Certificate has not yet been completed. Following recent correspondence, KPMG have been provided with final pieces of evidence for review; and it is expected that they will be able to provide their certificate in the near future. The outcome of this work will be included in a subsequent report to the Audit & Governance Committee.

Consultation and Engagement

- 11 Engagement with the auditors was carried out by the relevant officers.

Reasons for Recommendations

- 12 To ensure that Members consider the findings of the certification process.

Other Options Considered

- 13 Not applicable.

Implications and Comments

Monitoring Officer/Legal

- 14 There are no legal implications identified.

Section 151 Officer/Finance

- 15 The audit fees will be met from within the Council's revenue budget.

Policy

- 16 There are no policy implications identified.

Equality, Diversity and Inclusion

- 17 There are no equality implications identified.

Human Resources

- 18 There are no human resources implications identified.

Risk Management

- 19 The risks associated with the findings of this report relate to a position where the Council may not meet the requirements of the certification process and a financial liability is incurred.

Rural Communities

- 20 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)

- 21 There are no direct implications for children and young people.

Public Health

- 22 There are no direct implications for public health.

Climate Change

23 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Paul Goodwin Head of Finance & Deputy Chief Finance Officer paul.goodwin@cheshireeast.gov.uk 01270 686185
Appendices:	None
Background Papers:	KPMG report for the Housing Benefit Subsidy claim form MPF720A for the year ended 31 March 2023 KPMG Report on agreed upon procedures in respect of Teachers' Pensions End of Year Certificate for the year ended 31 March 2022.

OPEN

Audit and Governance Committee

7 March 2024

Risk Management Q2 Update

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

Report Reference No: AG/20/23-24

Ward(s) Affected: All Wards

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 the Audit and Governance Committee with an update on the Strategic Risk Register for the period of Quarter 2 2023/24, and an overview of other risk management activity in the organisation. Appendix A covers the Strategic Risk Register in detail.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. To consider the update provided by this report to the Audit and Governance Committee.

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 objectives in the Corporate Plan 2021-25. 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 Since the last update to the Audit and Governance Committee in July 2023, the quarterly reviews of the Strategic Risk Register for Quarter 1 (ending June 2023) and Quarter 2 (ending September 2023) have been undertaken and reported to the Corporate Policy Committee, in October 2023 and January 2024 respectively.
- 8 The Quarter 3 update will be reported to Corporate Policy on 21st March 2024. That report will also include summaries of the strategic risk registers of the Council’s wholly owned companies, as agreed by Corporate Policy Committee on 18 January 2024. Full details of those registers will be included as appendixes. The next report to this committee will also include risk information provided by the wholly owned companies.

Summary of Quarter 2 review

- 9 Revisions to the register were made to ensure that the scope and detail of the individual risks, and the overall coverage of the register was reflective of the threats to the organisation achieving its strategic objectives and maintaining business as usual service delivery. Where items were removed from the Strategic Risk Register, they continue to be considered at operational levels, and can still be escalated back for inclusion on the Strategic Register at a later date.
- 10 That review resulted in the restating of SR09, SR10, SR11 and SR12, along with the addition of SR07 and SR08. These changes have been included within the report and Appendix so that Members are sighted on the latest position given the changing nature of these risks.
- 11 Full details of the individual risks are provided in Appendix A. In addition to the revisions in the register, the content of this covering report in relation to the key changes since Quarter 1 has been organised slightly

differently, to align the risks to the relevant service committee. A change also made in the Quarter 1 report to Corporate Policy Committee.

- 12 Table 1 shows the position of the Strategic Risk Register after the Quarter 2 review undertaken: with the gross, net and target score for each risk, along with the target date in place for achieving the target score. The table is organised by highest to lowest net risk for Q2.

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

Ref	Risk	Q2 Gross	Q2 Net	Q2 Target
SR04	Dedicated School Grant Deficit	16	16	12
SR06	Failure to Achieve the MTFS	16	16	9
SR19	HS2 Infrastructure Investment	16	16	N/A
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
SR02	Fragility and failure in the Social Care Market	16	9	9
SR05	Delivery of the JTAI improvement plan	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
SR17	Climate Change (CEC Carbon Neutral Status 2025)	16	9	6
SR18	Local Planning Authority Modernisation Plan	12	9	6
N/A**	Insufficient and Non-Compliance with Financial Processes	16	8	8
SR15	Capital Projects – Place	16	8	8

* Previous called Organisation Capacity & Demand

** Risk only included for context of the risk review, not to be reported on going forwards

- 13 Table 2 shows the position of the Strategic Risk Register based on the Q2 update against the previous quarter; due to the number of changes made to the risk content, there are some gaps on this table.

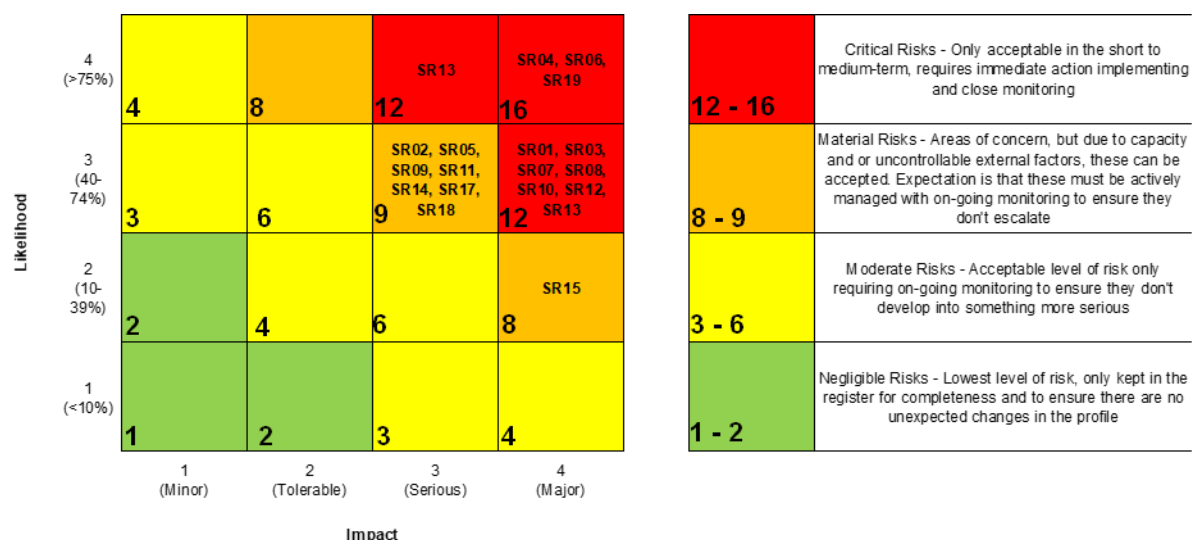
Table 2 – Strategic Risks Direction of Travel

Ref	Risk	Q1 Net	Q2 Net	Direction of Travel
SR01	Increased Demand for Adult's Services	12	12	↔
SR02	Fragility and failure in the Social Care Market	9	9	↔
SR03	Complexity and Demand for Children's Services	16	12	↓
SR04	Dedicated School Grant Deficit	-	16	NEW
SR05	Delivery of the JTAI improvement plan	12	9	↓
N/A*	Insufficient and Non-Compliance with Financial Processes	-	8	NEW
SR06	Failure to Achieve the MTFS	12	16	↑
SR07	Leadership Capacity	-	12	NEW
SR08	Ability to Achieve Organisation Change	-	12	NEW
SR09**	Recruitment & Retention	12	9	↓
SR10	Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks	12	12	↔
SR11	Failure to Adhere to Agreed Governance Processes	9	9	↔
SR12	Stakeholder Expectation & Communication	12	12	↔
SR13	Information Security and Cyber Threat	12	12	↔
SR14	Business Continuity	9	9	↔
SR15	Capital Projects - Place	8	8	↔
SR16	Failure of the Local Economy	12	12	↔
SR17	Climate Change (CEC Carbon Neutral Status 2025)	9	9	↔
SR18	Local Planning Authority Modernisation Plan	9	9	↔
SR19	HS2 Infrastructure Investment	9	16	↑

* Risk only included for context of the risk review, not to be reported on going forwards

** Previous called Organisation Capacity & Demand

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

Chart 1 – Strategic Risks Heat Map

Quarter 2 Risks Updates by Service Committee

Adults and Health Committee

- 15 There are no changes proposed to the scope or current net score of the risk of “Increased Demand for Adults Services”. Key activity in managing this risk now includes monitoring of all support and care plans occurring three times a week, with the Director of Adult Social Care monitoring around 150 cases per week. Demand is constant and the cost of individual care packages remains high, with an increasing number at the c £2,000 per week mark. Further action in managing this risk is being progressed through the development of business cases for change.
- 16 The strategic register previously included the risk of further pandemic viruses. After review and discussion, recognising that this risk had achieved and sustained its target score (6) this has now been removed from the strategic risk register. Risks around the failure of public health protection arrangements, resulting in significant and widespread detriment to resident’s health and wellbeing are being monitored at the operational level.
- 17 There are no changes proposed to “Fragility and Failure in the Social Care Market” risk in terms of description or score. Cheshire East has invested in care at home which stabilised the market, reduced waiting list for care at home and enabled the shift from non-commissioned providers which increased during Covid. However, inflation is impacting care market capacity. Some of this is driven by recruitment and retention of staff, which has also meant that some providers have opted to undertake international recruitment activities. Inflation for council

services is running higher than normal inflation and Cheshire East is worse than other areas. Mitigating action includes:

- a) The implementation of Care Cubed, and targeted negotiations with care providers disrupting the market, for example the use of block contracts;
- b) Working with the Home Office and ADASS in terms of managing provider risk in relation to international recruitment; and
- c) The development of a Workforce Strategy (internal and external).

Children and Families Committee

- 18 As part of the review undertaken, the former “Increased Demand for Children’s Services” risk has been split into two, focusing separately on
 - a) “Complexity and Demand for Children’s Services”; and
 - b) “Dedicated Schools Grant (DSG) Deficit”
- 19 The separation of the DSG aspect into a separate risk reduces the net risk score of the complexity risk to 12, which is the target score. However, this remains a critical risk for the organisation.
- 20 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.
- 21 Local support for families has been strengthened through the development of family hubs across the borough. Family hubs bring council, health and community services together to create a whole-family approach and will improve the access and reach of services, supporting earlier intervention, and improve partnership working.
- 22 There has been no official statement from the government on whether the Household Support Fund will be continued from April 2024. If the fund is not continued, a paper will go to the April Children and Families Committee which will include an exit plan for the Household Support Fund along with consideration of how this may impact demand and risk mitigation. If the fund is continued, this paper will include delivery options for the new grant period.
- 23 We are developing an internal residential offer, mobilising our first children’s home in January 2024, with a further two homes operational from Spring 2024. 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. 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 the aim to be at a low level of risk by 2026.

- 24 The Dedicated Schools Grant risk recognises the uncertainty around the deficit held, which continues to rise and the potential that it is not recoverable. The net and gross score for this is 16, with the target score of 12. In September 2023 the Children and Families Committee approved the DSG management plan for 2023/24 to 2027/28. It highlighted that without significant changes to funding the DSG reserve deficit will not be 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.
- 25 On 7 September 2023, the Council 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 this aspect of 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. Negotiations with the Department for Education are ongoing, and we are continuing to develop our plans ready for submission to government in January 2024. Agreement will be published on their website in March 2024.
- 26 There has been no change to the scope of the "Delivery of the JTAI Improvement Plan" risk, however the net score has reduced from 12 in Q1 to 9 for Q2. This reflects positive progression of the plan's implementation in the period. The multi-agency audit has been completed and shows evidence of improvements in practice for children who are at risk of exploitation. There is a multi-agency quality assurance forward plan being developed which will feature audits of cases where children are at risk of exploitation and an 11-month JTAI Improvement plan review is scheduled for December 2023 with the DfE. If the improvement plan achieves the anticipated impact on practice, the target score of 6 should be achieved in Q4 of 2023/24.

Corporate Policy Committee

- 27 The previous "Failure of Financial Management" risk has been redefined as "Insufficient and Non-Compliance with Financial Processes". This updated risk has a clear focus on the effectiveness of internal financial controls; planning, recording, allocation and review of transactions. The failure of which may result in an inability to secure and demonstrate good value for money or the misuse of ringfenced funding.

- 28 The internal financial controls that this risk focuses on are considered effective and that the risk is managed to an acceptable level. The updated risk has a net score of 8, equal to the target score identified. Controls range from technical, such as the financial systems, to policy controls, such as the Constitution including the Finance Procedure Rules. There is robust advice and oversight controls, business support and education from the Finance function and independent assurance from Internal and External Auditors.
- 29 Due to the operational nature of this risk, as described above, it will not be carried forwards as a strategic risk into Q3. However, it was felt important that the changes and its nature are explained through this update report to maintain openness and provide context for the next risk.
- 30 The previous “Failure to deliver MTFS Savings” and “Failure of Council Funding” risks have been refocused into a single risk. Now defined as “Failure to achieve the MTFS”, the risk encapsulates the financial consequences of the organisation failing to achieve planned changes and manage its expenditure as agreed in the annual budget setting process. Failure to deliver the MTFS in the agreed timescales undermines the council’s ability to manage its budget effectively in the current and future years. The highest possible rating was agreed for this risk (net score 16).
- 31 The second financial review of 2023/24 forecast a pressure of £18.7m by 31 March 2024. The third financial review of 2023/24 is now forecasting a pressure of £13m by 31 March 2024. The Council’s General Fund balance is £14.1m (a relatively low level when compared to other councils) and earmarked revenue reserves are also limited in scale and scope, as regards their ability to offer ‘one-off’ options to support in-year spending levels.
- 32 Going beyond the budget monitoring arrangements effected early in the financial year, the spending management regime instigated at the start of Q3 is aimed at ensuring that all possible options are explored to control net spending in line with approved budget by the end of the financial year.
- 33 The High Needs/Special Educational Needs cumulative deficit was reported as £47m at March 2023, and is set to rise to £85.8m by March 2024 and to £243.5m by 2027. The Council has now begun conversations on entry to the DfE’s Safety Valve Scheme. Solutions need to be delivered to ensure long-term sustainability of SEN services and alleviate the financial costs and risks to the General Fund (currently estimated at some £3m in interest charges).

- 34 The previous external funding risk which considered the amount of funding that the council receives but has no control over, has been removed. The updated risk, “Failure to achieve the MTFS”, is more holistic and long-term than the previous MTFS savings risk in that it is expected to remain an enduring strategic risk even after circumstances change. For example, the risk would remain valid if the council was unable to effectively spend higher levels of funding as per the agreed MTFS or if it was achieving budget each year comfortably. While this risk takes a view from a financial perspective, there are several related risks which were also identified as part of on-going reviews of the register.
- 35 During discussions on the “Organisational Capacity and Demand” risk, it became clear that there were several different capacity challenges that the organisation is facing. These new risks are in the process of being fully assessed, however their scopes and scores have been agreed.
- 36 “Leadership Capacity”; the risk that the council’s leadership team is not operating effectively and does not have the capacity to manage the full breadth of its responsibilities to an acceptable level. At the end of Q2, the leadership team was going through a period of change, carrying several temporary appointments and individuals covering multiple roles as part of acting up. Net score agreed as 12.
- 37 “Ability to Achieve Organisation Change”; to deliver its objectives and control expenditure while also responding to external events, the council needs to be able to implement change quickly. It was identified that the council has struggled with implementing change recently and the net score was agreed as 12.
- 38 “Recruitment and Retention”; the risk that HR related processes do not deliver the expected workplace or workforce. Without motivated and adequately skilled individuals, the council will be unable to maintain a sufficient level of value from the funding available to it. This risk carries forward many of the elements from the Organisational Capacity and Demand” risk but not those elements related to the two new risks noted above. Net score reduced from 12 to 9.
- 39 The “Political Uncertainty” risk has been adjusted to include an inward view as well as looking at the frequency and impact of external changes. Now described as “Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks”, it considers the council’s ability to manage policy changes in a timely manner. After the extension in scope, there is no change to the net score, it remains a 12 for Q2.

- 40 The cancellation of the HS2 Hub in Crewe demonstrates that central government decisions can negatively impact years of work and necessitate a fundamental shift in operations and fiscal planning. The council recognises the fast-moving pace of national politics and the high level of pressure on local government to maintain services while managing real-term funding cuts.
- 41 The risk had previously reflected uncertainty around the outcome of the May 2023 local elections. While that uncertainty has passed there does remain a level of inconsistency in local decision-making regarding the agreement and implementation of the decisions required to deliver the MTFS. On a national basis, the timing of a general election in 2024 remains uncertain.
- 42 The “Governance and Decision Making” risk has also been rephrased to make it consistent with the “Insufficient and Non-Compliance with Financial Processes” risk. The “Failure to Adhere to Agreed Governance Processes” risk does not see a change in its net score, it remains at 9.
- 43 The risk seeks to take a view on all areas of council activity and whether that activity is in line with our agreed processes. Answering the questions, ‘Are decisions being made in the correct manner?’, ‘Is appropriate evidence being captured?’ and ‘Do individuals making those decisions have the authority?’. During the process to update the risks there was discussion upon compliance with regulatory requirements. It is acknowledged that those benchmarks are inherently considered in individual risks. For example, the “Complexity and Demand for Children’s Services” would consider any regulatory obligations when assessing the level of service the council is able to deliver.
- 44 There was discussion on the nature of the existing “Reputation” risk, it was acknowledged that not everything the council does will be popular or is its role to be so. At times the council does have to make difficult and unpopular decisions, it must ensure it does this not only fairly but also communicate those decisions clearly and within their true context. The discussions identified three question which were used to help shape and assess the risk:
- a) Reputation of the Council with which audience?
 - b) What is the impact of a poor reputation with that audience? and
 - c) What metrics do we used to measure improvement?

It was acknowledged that the council has multiple stakeholders with residents being the most important group. It was also identified that understanding stakeholder expectations was key to not only good

decision-making but also to effective communication. The updated risk was agreed as “Stakeholder Expectations and Communication”, the Customer Services element has been removed from the risk as it doesn’t naturally fit within the new scope. The scope of this risk better suits the current reporting lines, Business Change and Communications and Media both being within the remit of the Director of Policy and Change. Customer Services risk are picked up at the service level.

- 45 Information Security and Cyber Threat; there are no changes to the scope or score arising from the Q2 review. Activity to manage this risk during the quarter has included:
 - a) Identity Management – Several projects to ensure that identities are protected, and controls updated as required.
 - b) Application Management – Consolidation of access controls across systems that can adopt the technology, along with the development of a framework to progress for legacy applications.
 - c) Data Security – Enhancement of the existing security controls to ensure that the latest threats are mitigated and protected against. Development of a process to ensure that vulnerabilities are identified, monitored, and addressed.
 - d) Data Quality – Continuation of the MDM projects to ensure that the councils’ solutions have the correct data embedded with them, updated seamlessly across multiple systems.
 - e) Information Management – A collection of projects to improve the maturity of information both through its storage and use of said data. This will enable management to drive efficiencies through better access to data and improved compliance through improved retention processes.
 - f) PSN accreditation has been achieved for 23/24.
- 46 There is no change to the scope or score of the “Business Continuity” risk as a result of its review. The existing business continuity policy has been reviewed and will be subject to further reviews as we progress through the development of a self-service SharePoint based system. Development of the system is due to begin in January 2024 with support from ICT Business Analysts. Prioritisation will be given to the system development ahead of further policy/guidance reviews. Detailed guidance and support will be developed to support the rollout of the system once developed.
- 47 Participation in Emergency Planning exercises continues; this provides valuable experience and knowledge for the further development of both

business continuity plans and the organisation's role in emergency response situations. If the SharePoint system develops as planned, the target risk should be achieved by end of Q4 23/24, at which point the recommendation would be for this risk to be removed from the Strategic Risk Register.

Economy and Growth

- 48 No changes proposed to the scope or scores of existing risks following the Q2 review, "Capital Projects – Place" net score remains an 8, while "Failure of the Local Economy" net score remains a 12. The national economic situation continues to be monitored by the Economic Development Service. UK gross domestic product (GDP) is estimated to have shown no growth in Quarter 3 (July to Sept) 2023. A full review of the Council's capital schemes will be undertaken in Q4 to ensure that both the Council's financial situation and external market factors have understood in terms of their impact on current schemes.
- 49 The Bank of England Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target. This target is in place as economist tend to agree 2% demonstrates sustainable growth and employment rate. At its meeting ending on 20 September 2023, the MPC voted by a majority of 5–4 to maintain Bank Base Rate at 5.25%.

Environment and Communities Committee

- 50 There are no changes proposed to the scope or score of the "CEC's Carbon Neutral Status" risk. The Council currently remains on track to be carbon neutral as an organisation by 2025, however there remains a real potential of time delays impacting delivery. Work continues on Council buildings with seventeen solar installations having been completed, providing approximately 1GWh per year.
- 51 The Council has also put in place a programme of replacing gas boilers with air source heat pumps with 15 installations underway. We continue to replace petrol and diesel vehicles with electric across our services and we have installed 26 new or upgraded electric vehicle charge points with more planned for the second half of this year.
- 52 Three key aspects to the risk have been identified this year at the Q2 review:
- a) Fleet – The transition of a minimum of 20 petrol / diesel vehicles to electric with charging facilities is under way with procurement imminent.
 - b) Solar – To progress the second solar farm by submitting a planning application by September 2023 with a decision needed

by April 2024. A change in approach following advice will see the authority procure a design and build contract with planning part of the contract. This means planning will now be delayed until Q4. This remains the most significant risk to achieving the 2025 target.

- c) Natural Offset – The planting of the next two woodland areas this planting season, October 2023 through May 2024. The authority has only been able to progress one of the two sites identified for this year which is now out to procurement. This has increased the requirement for planting in the final planting season, 2024-25.

- 53 The “Local Planning Authority Modernisation” risk overall remains the same with no change the net score. This reflects progress in the implementation of the existing modernisation plan, however the scope and actions in the plan have been extended to include actions arising from the Section 106 internal audit review.

Highways and Transport Committee

- 54 On 4th October 2023, the Prime Minister announced that HS2, north of Birmingham would be scrapped. Therefore, HS2 Phases 2a and 2b would not be progressing and there will no longer be a Crewe HS2 hub. Consequently, the “HS2 Infrastructure Investment” risk has crystallised, although not in the form initially assessed.
- 55 It is confirmed that the risk in its present state will not be maintained going forwards, during Q3 consideration will be given to a related risk based around the debt incurred from the project and the uncertainty around potential compensation from central government. Full council have already received a paper about this on Wednesday 13th December 2023.

Emerging Issues

- 56 The Quarter 2 report identified the following emerging issues:
- a) Increasing pressure on services as a result of trying to achieve the 2023-24 MTFS and the difficulties of setting and achieving the MTFS for 2024-25.
 - b) Further reduction in score re JTAI is anticipated as long as positive delivery progress continues.
 - c) The further impact of the HS2 announcement will be recognised on the strategic risk register.

- d) The affordability challenge of achieving the current net zero target.
- e) If vacancy rates worsen, our capacity to maintain service delivery, and to achieve changes will be further decreased.

Risk Management Operations

- 57 During 2023/24 the risk function has continued to support the not only CLT in the identification and assessment of their strategic risks but also Services in the identification and assessment of their more operational risks. This has come in the form of informal, ad hoc conversations as well as planned workshops.
- 58 As previously advised to this committee, it was identified that the Council needed an efficient and effective central repository for all the risk registers it maintains. Collaborating with ICT, the risk function has developed a self-service risk management Power App hosted in the Council's SharePoint system. Initial user testing was undertaken, and it identified several improvements which were implemented before the end of 2023. The user interface and administration elements of the app are mostly complete, with limited tweaks remaining to be made before it can be rolled out. Development for the reporting function is underway and the current target is to roll the app out to support the service risk updates which coincide with the annual Service Planning process. As part of this process, existing service registers are planned to be uploaded to the app, allowing Service's to update their existing risks rather than having to input them into the new system manually.
- 59 The app is expected to increase both awareness and access; once fully implemented it is expected to provide the risk function and senior management with access to a greater level of information on both risks and engagement.
- 60 The risk function continues to horizon scan in both the risk management and local government spaces. This includes the nearest neighbour analysis in which similar local authorities' strategic risk registers are reviewed to identify common themes or areas where the Council might be considered out of step.

Business Continuity Operations

- 61 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.

- 62 After moving away from an external software solution for business continuity planning in Q4 2022/23 the Council has been using a manual process. Based on the progress made with the risk management app, the intention is to develop a similar business continuity app.

Consultation and Engagement

- 63 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

- 64 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, the effectiveness of its operations and reliability of its financial reporting.
- 65 The Audit and Governance Committee have responsibility for monitoring the effective development and operation of risk management across the Council.

Other Options Considered

- 66 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

- 67 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.

- 68 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 the MTFS has been identified as a risk.

69 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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70 Equality, Diversity and Inclusion

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

71 Human Resources

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

72 Risk Management

This report relates to overall risk management and provides the Audit and Governance 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.

73 Rural Communities

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

74 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.

75 Public Health

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

76 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:	Risk Management Q2 Update - Appendix A
Background Papers:	None

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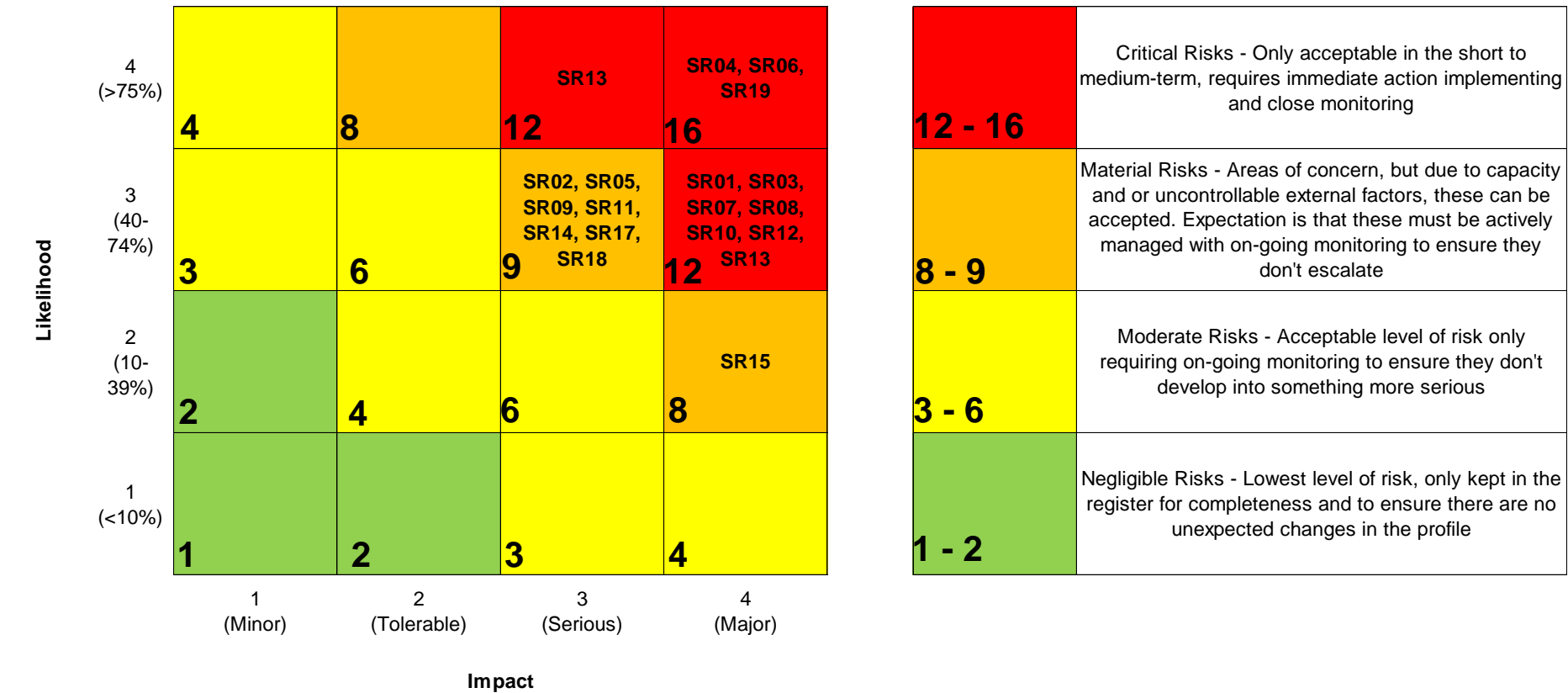
Strategic Risk Summary – Changes in Net Scores Q2 2023/24

Ref	Risk	Q1 Net	Q2 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	16	12	↓	12
SR04	Dedicated School Grant Deficit	-	16	NEW	12
SR05	Delivery of the JTAI improvement plan	12	9	↓	6
N/A*	Insufficient and Non-Compliance with Financial Processes	-	8	NEW	8
SR06	Failure to Achieve the MTFs	12	16	↑	9
SR07	Leadership Capacity	-	12	NEW	8
SR08	Ability to Achieve Organisation Change	-	12	NEW	8
SR09**	Recruitment & Retention	12	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	9	↔	6
SR18	Local Planning Authority Modernisation Plan	9	9	↔	6
SR19	HS2 Infrastructure Investment	9	16	↑	N/A

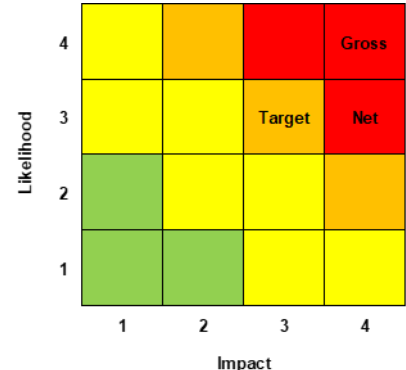
* Risk only included for context of the risk refresh, not to be reported on going forwards

** Previous called Organisation Capacity & Demand

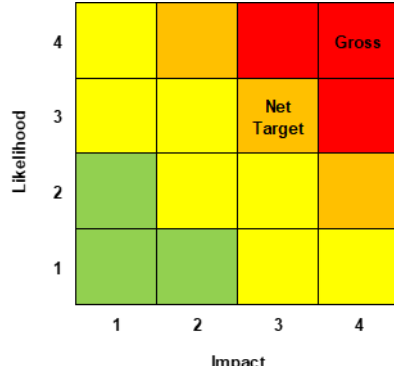
Strategic Risks Heat Map



Individual Risk Details – Q2 2023/24

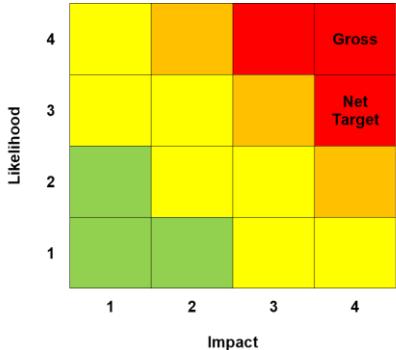
Risk Name: Increased Demand for Adult Services		Risk Owner: Executive Director of Adults, Health, and Integration
Risk Ref: SR01	Date updated: 8 th December 2023	Risk Manager: Director of Adult Social Care Operations
<p>Risk Description: An increase in demand for adult social services that cannot be met within the existing budget.</p> <p>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.</p> <p>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.</p> <p>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.</p>		
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
<p>Key Mitigating Controls (Existing):</p> <ul style="list-style-type: none"> • 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. 		

<ul style="list-style-type: none"> • 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. • Joint working with Impower to identify efficiencies in the services. • All care plans presented to Senior Leasers board for authorisation of spend. • Tighter controls on hospital discharge will impact relationship with CB colleagues. 	
Actions (Monitoring):	Target Date for Completion:
Impower Consulting review (Weekly CEBERT meetings)	Q4 2023/24
<p>Comments this quarter: The outcomes from the work commissioned with Impower is being actioned via High Level Business Cases; we are monitoring all support and care plans and calls for services on a 3x per week basis. The Director is monitoring approximately 150 cases per week.</p> <p>Demand is constant especially for those who are 90+yrs, and for those with dementia.</p> <p>Cost of individual care packages remains very high with an increasing number c£2000 per week.</p>	
<p>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.</p>	

Risk Name: Fragility and Failure in the Social Care Market		Risk Owner: Executive Director of Adults, Health and Integration
Risk Ref: SR02	Date updated: 15 th December 2023	Risk Manager: Director of Adult Social Care, Director of Commissioning
<p>Risk Description: A failure of the local social care market.</p> <p>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.</p> <p>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.</p> <p>Detailed causes; the major risk going forward is the financial impacts on providers resulting from the 9.7% 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). While there is proposed growth within the MTFS for Adult Social Care this will not be sufficient to offer fee uplifts for all providers as well as funding growth in demand and complexity of need. 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. It will also bring challenges in managing budgets in 2023/24.</p>		
Interdependencies (risks): Failure to Achieve the MTFS, Business Continuity, Failure of the Local Economy		Lead Service Committee: Adults and Health Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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 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. 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. 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. 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. 		

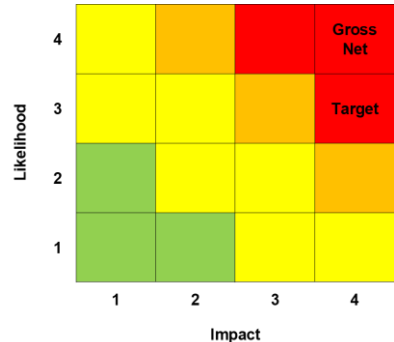
<ul style="list-style-type: none"> The Council is working with skills for care to see what support it can give to the market in terms of recruitment and retention and build knowledge. Providers have access to recruiting staff from abroad if there isn't a sufficient supply available locally. Domiciliary care provider's fees are reviewed and adjusted to try and maximise value for money, while also trying to keep the sector attractive to potential staff. 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 (SMT and DMT, monthly)	December 2023
<p>Comments this quarter: Cheshire East has invested in the care at home which stabilised the market, reduced waiting list for care at home, and enabled the shift from non-commissioned providers which increased during Covid. However, inflation is impacting care market capacity. Some of this is driven by recruitment and retention of staff, which has also meant that some providers have opted to undertake international recruitment activities. Inflation for council services is running higher than normal inflation, and Cheshire East is worse than other areas. Mitigating action:</p> <ul style="list-style-type: none"> The implementation of Care Cubed, and targeted negotiations with Care providers. Disrupting the market for example the use of block contracts. Working with the Home Office and ADASS in terms of managing provider risk in relation to international recruitment. The development of a Workforce Strategy (internal and external). 	
<p>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.</p>	

Risk Management Q2 Update - Appendix A

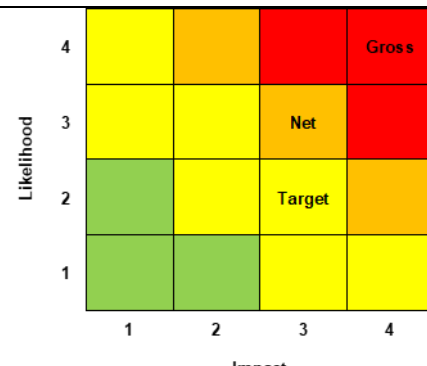
Risk Name: Complexity and Demand for Children's Services		Risk Owner: Executive Director of Children's Services
Risk Ref: SR03	Date updated: Q2 2023/24	Risk Manager: Children's Services Directorate Leadership Team
<p>Risk Description: That Cheshire East's local social, economic and demographic factors, 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.</p> <p>The service has received growth through the MTFs to help address the pressures but the challenge to deliver to budget will remain 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.</p>		
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		Lead Service Committee: Children and Families Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> The service has received growth through the MTFs to help address the pressures. This includes growth for children's social care in response to the demand. 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. 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. 		
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

Risk Management Q2 Update - Appendix A

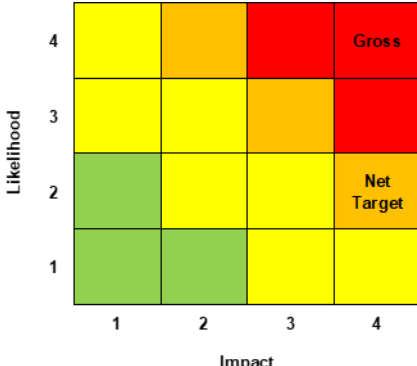
Expanding our in-house residential provision to offer more local and cost-effective homes for children and young people (Children's social care senior leadership team to monitor progress)	February 2024
Implement Family Hubs – improving access and reach of services, supporting earlier intervention, and improving partnership working (Family Hub Steering group)	March 2024
<p>Comments this quarter: The risk relating to the pressures on the Dedicated School Grant has been removed from this risk into a separate standalone risk, and therefore the net risk score for this risk has reduced to 12, which was the target score. 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.</p> <p>Local support for families has been strengthened through the development of family hubs across the borough. Family hubs bring council, health and community services together to create a whole-family approach and will improve the access and reach of services, supporting earlier intervention, and improve partnership working.</p> <p>We are developing an internal residential offer, mobilising our first children's home in January 2024, with a further two homes operational from Spring 2024. 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.</p> <p>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.</p>	

Risk Name: Dedicated School Grant Deficit		Risk Owner: Executive Director of Children's Services
Risk Ref: SR04	Date updated: Q2 2023/24	Risk Manager: Children's Services Directorate Leadership Team
<p>Risk Description: That the deficit held in the dedicated schools grant (DSG) continues to rise and/or is not recoverable.</p> <p>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 one and a half times the annual allocation at the end of 2023/24, £91.2m 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.</p> <p>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.</p>		
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		Lead Service Committee: Children and Families Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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. Negotiations with the Department for Education are ongoing and we are continuing to develop our plans ready to submit this to government in January 2024, with any agreement published on their website in March 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. Despite this work and the associated plans there is no prospect currently for spend to be aligned with budget and the resultant deficit to manage statutory demand, continues to increase. 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 to help address the pressures. This includes growth for school transport, Educational Psychology and SEND services in response to the demand in these areas. 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. 		

<ul style="list-style-type: none"> 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
Develop a Safety Valve plan and submit this to the DfE	January 2024
<p>Comments this quarter: 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. Negotiations with the Department for Education are ongoing and we are continuing to develop our plans ready to submit this to government in January 2024, with any agreement published on their website in March 2024.</p> <p>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.</p>	
<p>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.</p>	

Risk Name: Delivery of the JTAI Improvement Plan		Risk Owner: Executive Director of Children's Services
Risk Ref: SR05	Date updated: Q2 2023/24	Risk Manager: Improvement Board
<p>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.</p> <p>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.</p>		
Interdependencies (risks): Increased Demand for Adult Services, Complexity and Demand for Children's Services		Lead Service Committee: Children and Families Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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. 		

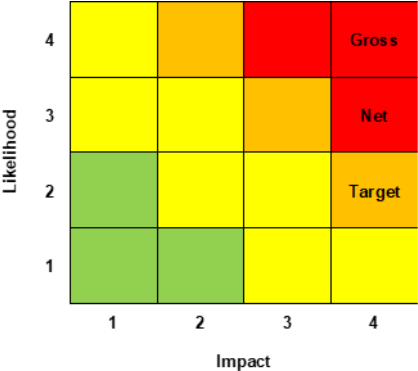
<ul style="list-style-type: none"> Quarterly reports are developed through the Learning and Improvement subgroup and the CS/SOC Strategic group to provide the direct line of sight from practitioners to Executive members. Voice of the child continues to be heard at every Executive Board and Improvement 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: The net score was reduced this quarter from 12 to 9. Implementation of the plan progressed well during the period. The multi-agency audit has been completed and shows evidence of improvements in practice for children who are at risk of exploitation. There is a multi-agency quality assurance forward plan being developed which will feature audits of cases where children are at risk of exploitation. There is an 11-month JTAI Improvement plan review scheduled for December 2023 with the DfE.	
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: Insufficient and Non-Compliance with Financial Processes		Risk Owner: Director of Finance and Customer Services (s151 Officer)
Risk Ref: N/A	Date updated: 1 st December 2023	Risk Manager: Head of Finance
<p>Risk Description: The risk relating to the effective planning, recording, allocation, review and transacting of income and expenditure, relative to approved budgets.</p> <p>Consequences: Poor management and/or misuse of public funds and a failure to ensure good value for money would result in poorer services for residents and local infrastructure; ultimately reducing the health and prosperity of the borough and its residents; and leading to financial difficulties for the Council regarding sufficiency of reserves, and a reduced ability to effectively plan, manage and deliver robust, balanced and sustainable budgeting in the future. Poor management of specific grant funding can also result in the Council having to repay those monies.</p> <p>Causes: This risk is particularly operational in nature; failure to develop and follow comprehensive and effective internal controls and sound budget management practices would result in the risk materialising.</p>		
Interdependencies (risks): Organisational Capacity and Demand, Reputation, Failure to Achieve the MTFS, Capital Projects – Place, Failure of the Local Economy		Lead Service Committee: Corporate Policy Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> • Use of quality financial systems, with appropriate training and subsequent audit of their effectiveness to provide management and control of the Council's finances. Unit4 ERP, and other integrated systems, have access controls and training material; and internal training has been delivered within the Finance Team. • Use of a standard report format and report clearance process which ensures provision of relevant information on financial impact and risk exposure to the decision makers. Decision making report templates. Finance and Legal business partner sign-off. DMT/CLT report clearance. • Clear and effective communication of changes or updates to Finance and Contract Procedure Rules with the Constitution. Current CEC Constitution, as approved by Council, is on website, along with previous versions. • Sources of specialist advice and guidance. Specialist finance and accountancy support allocated to each Directorate, along with dedicated capital and project finance expertise. External advisors used for specific treasury, audit and tax matters. • Treasury Management Strategy to manage the Council's cash flows, including an investment strategy focused on the security of principal sums and a borrowing strategy to manage interest payable and other charges. Treasury Management Strategy within MTFS. • A Capital Strategy that prioritises capital investment programmes, identifies the financial impact of investment in schemes and limits the amount of unsupported borrowing to be taken. Capital Strategy within MTFS. • Education and training for officers and Members, including financial management in local government, the CIPFA FM Code, and Finance and Contract Procedure rules. Via Committee Work Programmes. 		
Actions (Monitoring):		Target Date for Completion
N/A		N/A
Comments this quarter: This is a newly defined risk, focussing on the consequences of poor compliance with financial processes, and the quality of associated decision making.		
Timescale for managing risk to an acceptable level: N/A		

Risk Name: Failure to Achieve the MTFS		Risk Owner: Director of Finance and Customer Services (s151 Officer)																																		
Risk Ref: SR06	Date updated: 1 st December 2023	Risk Manager: Head of Finance																																		
Risk Description: Failure to achieve approved changes and manage net spending within the MTFS agreed by Council within the expected timescales will undermine the Council's ability to manage its budget effectively in the current and future years. Potential impacts: Failure to achieve the agreed annual budget will reduce the Councils reserves and may endanger its medium-term financial stability, ultimately leading to reduction in the services it can provide to its residents, due to having to issue a Section 114 Notice. Poor management of specific grant funding can also result in the Council having to repay those monies. Drivers of likelihood: Key drivers of this risk are a lack of effective strategic and/ or operational management, and a lack of ability and/ or authority to implement change, along with global and national events adversely affecting levels of inflation and prices.		<table><tr><td rowspan="4">Likelihood</td><td>4</td><td></td><td></td><td></td><td>Gross Net</td></tr><tr><td>3</td><td></td><td></td><td>Target</td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td colspan="4">Impact</td></tr></table>		Likelihood	4				Gross Net	3			Target		2					1							1	2	3	4			Impact			
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Interdependencies (risks): Organisational Capacity and Demand, Reputation, Insufficient and Non-Compliance with Financial Processes, Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks, Capital Projects – Place, Failure of the Local Economy		Lead Service Committee: Corporate Policy Committee																																		
Key Mitigating Controls: <ul style="list-style-type: none">Financial planning arrangements include preparation by the Finance Team, in liaison with senior operational managers, of detailed financial forecasts, based on the best available information and including prudent assumptions based on professional judgement and external advice. Finance Team structure and qualifications. Lead Finance Partners attend DMTs, and CFO is part of CLT. Committee reports allow Member engagement and scrutiny.Use of quality financial systems, with appropriate training and subsequent audit of their effectiveness to provide management and control of the Council's finances. Unit4 ERP, and other integrated systems, have access controls and training material; and internal training has been delivered within the Finance Team.Balanced budget to put into effect the Council's service plans for the forthcoming year, matched by available funding and including a risk assessment of the adequacy of general reserves. Budget agreed by Council annually, including report of CFO (under s.25).MTFS sets out how the Council will deliver the Council's Corporate Plan. Published MTFS aligns proposals to Corporate Plan.Use of a standard report format and report clearance process which ensures provision of relevant information on financial impact and risk exposure to the decision makers. Decision making report templates. Finance and Legal business partner sign-off. DMT/CLT report clearance.Clear and effective communication of changes or updates to Finance and Contract Procedure Rules with the Constitution. Current CEC Constitution, as approved by Council, is on website, along with previous versions.Sources of specialist advice and guidance. Specialist finance and accountancy support allocated to each Directorate, along with dedicated capital and project finance expertise. External advisors used for specific treasury, audit and tax matters.Budget monitoring, comparing actual performance against approved budget, is undertaken throughout the financial year and presented to service committees, in the form of forward-looking forecast outturn reports (committee reports).Outturn reporting and audit of statements supports in-year monitoring and future year planning. Outturn reporting via Committees, Statement of Accounts reported to A&G Committee.Risk-based approach to the use of reserves, identifying appropriate reserve levels and ensuring that reserves are not depleted without first identifying a strategy to restore them to risk-assessed levels during the MTFS period. Reserves Strategy is part of MTFS. CFO report (under s.25) highlights approach and professional opinion.																																				

<ul style="list-style-type: none"> Where a residual deficit is forecast in a financial year (current balanced MTFS reflected prevailing pressures as recognised in February 2023), a number of actions will be explored including: <ul style="list-style-type: none"> use of any service or non-specific underspend to offset pressures elsewhere within the budget accessing external funding, ensuring compliance with any funding conditions use of reserves use of general balances Treasury Management Strategy to manage the Council's cash flows, including an investment strategy focused on the security of principal sums and a borrowing strategy to manage interest payable and other charges. Treasury Management Strategy within MTFS. A Capital Strategy that prioritises capital investment programmes, identifies the financial impact of investment in schemes and limits the amount of unsupported borrowing to be taken. Capital Strategy within MTFS. Engagement with government departments related to financial models and consultation via Committee Work Programmes Education and training for officers and Members, including financial management in local government, the CIPFA FM Code, and Finance and Contract Procedure rules. Via Committee Work Programmes Reporting of status and action plan on CIPFA FM Code, reports to Finance Sub-Committee. Budget management regime implemented early in 2023/24 to track activities relating to delivery of approved budget changes. Tracking of delivery activities, and frequent reporting to CLT, to facilitate 'early warning system' ahead of formal financial reporting, enabling greater service business management control. Spending management regime implemented in October 2023, to control and reduce spending on staffing and supplies and services; review fees and charges to customers; and approaches to charging costs to capital projects and using capital receipts. Cheshire East Budget Emergency Response Team (CEBERT) formed by CLT; weekly meetings of Cells and CEBERT to track progress on spending controls and reductions. 	
Actions (Monitoring):	Target Date for Completion:
On-going reporting of spending management effectiveness and latest forecasts to CEBERT (Weekly reporting and review by CEBERT/ CLT)	March 2024
Directly or via professional or political networks, liaise with Government departments on the severity of the many financial issues (Reporting to CLT, and to Members in the MTFS update)	February 2024
Preparation and reporting of Third Financial Review (Cleared by CLT for formal reporting to Committees in January 2024, as foundation for MTFS update)	December 2023
<p>Comments this quarter: The third financial review of 2023/24 is forecasting a pressure of £13m by 31 March 2024. The Council's General Fund balance is £14.1m (a relatively low level when compared to other councils) and earmarked revenue reserves are also limited in scale and scope, as regards their ability to offer 'one-off' options to support in-year spending levels.</p> <p>Going beyond the budget monitoring arrangements effected early in the financial year, the spending management regime instigated at the start of Q3 is aimed at ensuring that all possible options are explored to control net spending in line with approved budget by the end of the financial year.</p> <p>The High Needs/ Special Educational Needs cumulative deficit was reported as £47m at March 2023, and is set to rise to £85.8m by March 2024 and to £243.5m by 2027. The Council has now begun conversations on entry to the DfE's Safety Valve Scheme. Solutions need to be delivered to ensure long-term sustainability of SEN services and alleviate the financial costs and risks to the General Fund (currently estimated at some £3m in interest charges).</p>	
Timescale for managing risk to an acceptable level: March 2024	

Risk Name: Leadership Capacity – DRAFT		Risk Owner: Chief Executive																																		
Risk Ref: SR07		Risk Manager: Chief Executive																																		
Date updated: Identified December 2023																																				
<p>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.</p> <p>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.</p> <p>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.</p>		<table><tr><td rowspan="4">Likelihood</td><td>4</td><td></td><td></td><td></td><td>Gross</td></tr><tr><td>3</td><td></td><td></td><td></td><td>Net</td></tr><tr><td>2</td><td></td><td></td><td></td><td>Target</td></tr><tr><td>1</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td colspan="4">Impact</td></tr></table>		Likelihood	4				Gross	3				Net	2				Target	1							1	2	3	4			Impact			
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Interdependencies (risks): All other strategic and operational risks.		Lead Service Committee: Corporate Policy Committee																																		
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none">• 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																																		
<p>Comments this quarter: Risk identified in December 2023, a full assessment will be completed to identify additional controls, actions and a timescale for managing the risk to an acceptable level.</p>																																				
Timescale for managing risk to an acceptable level: TBC																																				

Risk Name: Ability to Achieve Organisation Change – DRAFT		Risk Owner: Director of Policy and Change
Risk Ref: SR08	Date updated: Identified December 2023	Risk Manager: Director of Policy and Change
<p>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.</p> <p>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.</p> <p>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.</p>		
Interdependencies (risks): Recruitment and Retention, Failure to Achieve the MTFS		Lead Service Committee: Corporate Policy Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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
<p>Comments this quarter: Risk identified in December 2023, a full assessment will be completed to identify additional controls, actions and a timescale for managing the risk to an acceptable level. Ownership of the risk going forwards needs to be agreed due to the Director of Policy and Change leaving the Council.</p> <p>Renewed focus on delivery of organisational change through the weekly CEBERT meetings. However the pace and resource to achieve the necessary changes is not yet as it should be. New Chief Executive to review the organisation's change management structure.</p>		
Timescale for managing risk to an acceptable level: TBC		

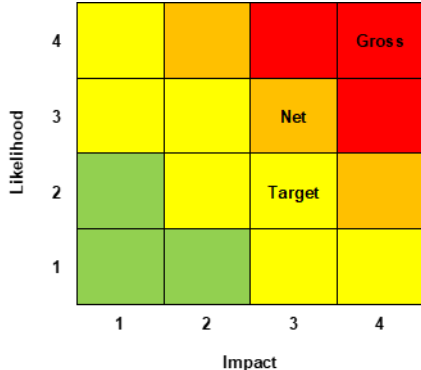
Risk Name: Recruitment and Retention		Risk Owner: Director of Finance & Customer Services																																		
Risk Ref: SR09	Date updated: Risk Refreshed in December 2023		Risk Manager: Head of HR																																	
Risk Description: Recruitment and retention of skilled and 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.			<table><tr><td rowspan="4">Likelihood</td><td>4</td><td></td><td></td><td></td><td>Gross</td></tr><tr><td>3</td><td></td><td></td><td>Net Target</td><td></td></tr><tr><td>2</td><td></td><td></td><td></td><td></td></tr><tr><td>1</td><td></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>1</td><td>2</td><td>3</td><td>4</td></tr><tr><td></td><td></td><td colspan="4">Impact</td></tr></table>	Likelihood	4				Gross	3			Net Target		2					1							1	2	3	4			Impact			
Likelihood	4					Gross																														
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Interdependencies (risks): Business Continuity, Pandemic Virus, Increased demand for Adults Services, Increased demand for Children's Services			Lead Service Committee: Corporate Policy Committee																																	
Key Mitigating Controls: <ul style="list-style-type: none">• To address demand, workforce planning is in place via the Council's Workforce Strategy. This is a 4-year strategy with ongoing 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 is ongoing. Focused apprenticeship levy funding, specific succession planning and talent management initiatives are used to support high priority areas.• In addition, a 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 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.• A 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, alongside the Government's consultation on capping the pay rates for agency social workers.• Additional 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 update for all staff, promotion of the government funded initiative Able Futures.• Support is in place for senior managers in the redesign and restructure of services to meet MTFs targets, including MARS to minimise the impact on the workforce.• An improved employee benefits offer including agreement to introduce a green car scheme, a white goods salary sacrifice scheme and an expanded flexi time scheme.																																				
Actions (Monitoring):			Target Date for Completion:																																	
Development of toolkits to support workforce planning (Quarterly review by HRMT)			January 2024																																	
Analysis of exit interview and questionnaire data with the relevant Executive Director to support the retention of staff (Exit interview data reviewed quarterly by HRMT and the relevant BR Business Partner)			October 2023																																	
Continued work on the implementation of social work academies across Children's Services and Adults, Health & Integration (Quarterly review by HRMT)			March 2024																																	

Risk Management Q2 Update - Appendix A

Support colleagues in Adults, Health & Integration with a bespoke Workforce Strategy (Review with HC-M)	December 2023
Continued use of a programme of local and national recruitment fairs (Quarterly review by HRMT)	January 2024
Explore the introduction of 'stay interviews' to support the retention of staff (Pilot to be considered)	October 2023
Comments this quarter: Risk refreshed in December 2023, much of the actions and controls remain the same as the Organisational Capacity and Demand risk. After refinement of this risk's scope and the creation of the Leadership Capacity and Ability to Achieve Organisation Change risks, the net score was reduced from 12 to 9. The impact of those other issues having previously being somewhat factored into this original risk. Net score equal to target at this time.	
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)
<p>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.</p> <p>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.</p>		<p>The risk matrix is a 4x4 grid. The vertical axis is 'Likelihood' (1 to 4) and the horizontal axis is 'Impact' (1 to 4). The cells are color-coded: Green (Low), Yellow (Medium), Orange (High), and Red (Very High). The 'Gross Net' score is 12 (Yellow) and the 'Target' score is 8 (Green).</p>
Interdependencies (risks): Stakeholder Expectations and Communications, Failure to Achieve the MTFS, Failure to Adhere to Agreed Governance Processes		Lead Service Committee: Corporate Policy Committee
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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
<p>Comments this quarter: The "Political Uncertainty" risk has been adjusted to include an inward view as well as looking at the frequency and impact of external changes. Now described as "Failure to Manage the Consequences of Policy Uncertainty and National Policy Frameworks", it considers the council's ability to manage uncertainty and changing policy frameworks. After the change in scope, there is no alteration to the net score, it remains at a 12.</p>		

<p>The cancelling of the Crewe part of HS2 shows that central government decisions can quickly undo years of work and necessitate a fundamental shift in operations and fiscal planning. The council recognises the fast-moving pace of national politics and the high level of pressure on local government to maintain services while managing real-term funding cuts.</p> <p>The risk had previously reflected uncertainty around the outcome of the May 2023 local elections. While that uncertainty has passed there does remain a level of inconsistency in local decision-making regarding the agreement and implementation of the MTFS. On a national basis, the timing of a general election in 2024 remains uncertain.</p>
<p>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.</p>

Risk Name: Failure to Adhere to Agreed Governance Processes		Risk Owner: Director of Governance and Compliance (Monitoring Officer)
Risk Ref: SR11	Date updated: Risk Refreshed in December 2023	Risk Manager: Director of Governance and Compliance (Monitoring Officer)
<p>Risk Description: Failure to develop a robust corporate governance infrastructure and ensure aligned decision-making throughout the organisation. 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.</p> <p>Detailed consequences: The failure of governance and decision-making may result in stated goals may not be met and, or public funds wasted. Ultimately these 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.</p> <p>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. Interpretation of 'good' decision-making may be inconsistent throughout the organisation without a holistic approach to guidance, reporting, oversight and challenge. Without comprehensive vertical reporting and challenge, senior management cannot effectively implement a robust level of accountability and drive positive change in their areas of responsibility.</p>		
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		Lead Service Committee: Corporate Policy Committee
<p>Key Mitigating Controls:</p> <p>Council's Constitution covers decision making processes, including finance and contract procedure rules. Following the change to Committee system, mechanisms are in place to capture learning from the use of the committee system from Members (Constitution Working Group).</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>		

Assurance mechanisms on the organisations' compliance with its decision-making processes are provided through the external audit (Statement of Accounts) and the work of the internal audit team. 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		2023/24
Implementation of CIPFA recommendations for the Audit & Governance Committee (Annually by Audit and Governance Committee)		December 2023
Operational changes implemented based on systemic improvements and decision-making (Corporate services and statutory officers)		March 2024 approval by full council
<p>Comments this quarter: The "Governance and decision making" risk has also been rephrased to make consistent with the "insufficient and noncompliance with financial processes" risk. The "Failure to Adhere to Agreed Governance Processes" risk does not see a change in its net score, it remains at a 9.</p> <p>The risk seeks to take a view on all areas of council activity and if that activity is in line with our agreed processes. Answering the questions, are decisions being made in the correct manner, is appropriate evidence being captured and do individuals making those decisions have the authority? During the process to update the risks there was discussion upon compliance with regulatory requirements. It is acknowledged that the benchmarks are inherently considered in individual risks. For example, the "Complexity and Demand for Children's Services" would consider those any obligations when assessing the level of service the council is able to deliver.</p>		
Timescale for managing risk to an acceptable level: March 2024		

Risk Name: Stakeholder Expectations and Communication – Draft		Risk Owner: Director of Policy & Change
Risk Ref: SR12	Date updated: Risk Refreshed in December 2023	Risk Manager: Head of Communications, Head of Business Change
<p>Risk Description: The risk that the council does not understand the expectations of its stakeholders and that its communication with those stakeholders does not result in their understanding of the council's actions. 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.</p> <p>Potential impacts: A lack of understand and poor communication will cause damage to the council's reputation, if this is severe enough it may result in poor performance, increase complaints, regulatory inspection, challenge from central government, low moral, increase staff turnover and make the borough less desirable to live and work in.</p> <p>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 communicated, understood or just being disregarded. Management of this risk should be considered on the basis of the objective regard for the council (measured via surveys, etc.) and an assessment of the quality of its engagement (both listening and telling).</p>		<p>Likelihood</p> <p>4</p> <p>3</p> <p>2</p> <p>1</p> <p>1 2 3 4</p> <p>Impact</p>
Interdependencies: Increased Demand for Adult's Services, Complexity and Demand for Children's Services, Failure to Achieve the MTFS		Lead Service Committee: Corporate Policy Committee
<p>Key Mitigating Controls:</p> <p>Communication & Media</p> <ul style="list-style-type: none"> • 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 42,000 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
Review annual business plans for communication requirements (Annually)	Q1 2023/24
Delivery of the Communications Strategy for Residents 2022-25 priorities (Six monthly updates to CPC)	Through 2023/24
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

Consultation

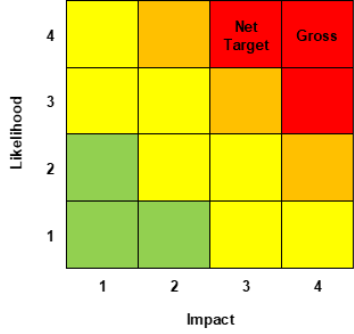
Delivery of Equality Impact assessment training to Equality champions	Q2 2023/24
Undertake a residents survey linked to the Corporate Plan refresh	Q3 2023/24
Complete the service restructure to enable recruitment to vacant posts in the research and consultation team	Q3 2023/24

Comments this quarter: There was discussion on the nature of the existing "Reputation" risk, it was acknowledged that not everything the council does will be popular or is its role to be so. At times the council does have to make difficult and unpopular decisions, it must ensure it does this not only fairly but also communicate those decisions clearly and within their true context. The discussions identified three questions which were used to help shape and assess the risk:

1. Reputation of the Council with whom/which audience;
2. Impact of poor reputation with that audience; and
3. Metrics we used to measure/actions we can take to improve.

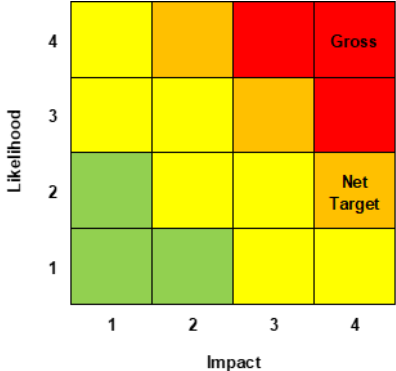
It was acknowledged that the council has multiple stakeholders with residents being the most important group. It was also identified that understanding stakeholder expectations was key to not only good decision-making but also to effective communication. The updated risk was agreed as "Stakeholder Expectations and Communication", the Customer Services element has been removed from the risk as it doesn't naturally fit within the new scope. Additionally reporting lines do not support its inclusion.

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: 5 th October 2023	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, 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 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 SR5 Business Continuity and SR13 Reputation. 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: <ul style="list-style-type: none"> 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 Virtual IGG Task and Finish Group. The Council has an Incident Reporting process which has been communicated to staff, all incidents are scored and assessed by IGG 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. 		

<ul style="list-style-type: none"> 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
<p>Comments this quarter: Identity Management – several projects to ensure that identities are protected, and appropriate controls are put in place to ensure that those identities are protected.</p> <p>Application Management – consolidation of access controls across systems that can adopt this technology with the development of a framework to progress for legacy applications.</p> <p>Data Security – enhancement of the existing security controls to ensure that the latest threats are mitigated and protected. Development of a process to ensure that vulnerabilities are proactively monitored and addressed.</p> <p>Data Quality – Continuation of the MDM projects to ensure that the councils' solutions have the correct data embedded with them, updated seamlessly across multiple systems.</p> <p>Information Management – a collection of projects to 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.</p> <p>PSN accreditation has been achieved for 23/24.</p>	
Timescale for managing risk to an acceptable level: N/A	

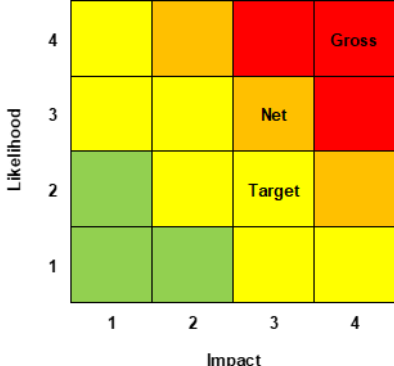
Risk Name: Business Continuity		Risk Owner: Director of Governance and Compliance (Monitoring Officer)
Risk Ref: SR14	Date updated: Q2 2023/24	Risk Manager: Head of Audit & Risk
<p>Risk Description: Failure to maintain business continuity after an unusual or unexpected, disruptive event or events. The 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.</p> <p>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.</p> <p>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.</p>		
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
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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 - ongoing
<p>Comments this quarter: There is no change to the gross or net rating at this time. Existing policy has been reviewed and will be subject to further review, as we progress through the development of a SharePoint based system for Business Continuity Planning. This begins in January 2024 with support from ICT Business Analysts. Prioritisation will be given to the system development ahead of further policy/guidance review at this stage. More detailed guidance and support will be developed ahead of the move of BC plans into this format. Participation in Emergency Planning exercises continues; this provides valuable experience and knowledge for the further development of both BC plans, and the organisation's role in emergency response situations. If the SharePoint system develops as plans, the target risk should be achieved by end of Q4 23/24, at which point the recommendation would be for this risk to be removed from the Strategic Risk Register.</p>		
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: Q2 2023/24	Risk Manager: Place Directors and Business Managers as relevant to
<p>Risk Description: Failure to deliver major capital projects.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The broad range of partners and stakeholders for individual projects and interdependencies between projects are also significant challenges that require effective management.</p>		
Interdependencies (risks): Climate change, Infrastructure Investment, Economy, Council Funding		Lead Service Committee: Economy and Growth, Environment and Communities, Highways and Transport
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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 HS2 and 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:

Risk Management Q2 Update - Appendix A

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: While the risk remains unchanged in Q2 looking forwards to Q3 there will be a review of the Council's capital schemes.	
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: Q2 2023/24	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: <ul style="list-style-type: none"> 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) <ul style="list-style-type: none"> 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. UK gross domestic product (GDP) is estimated to have shown no growth in Quarter 2 (July to Sept) 2023. The Bank of England Monetary Policy Committee (MPC) sets monetary policy to meet the 2% inflation target. This target is in place as economist tend to agree 2% demonstrates sustainable growth and employment rate. At its meeting ending on 20 September 2023, the MPC voted by a majority of 5–4 to maintain Bank Rate at 5.25%.		
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: Q2 2023/24	Risk Manager: Head of Environmental Services
<p>Risk Description: Failure to achieve Carbon Neutral status for the Council by the 2025 milestone target as a result of ineffective planning and delivery of actions.</p> <p>Likelihood is based on a number of external factors, partnerships and key outcomes being delivered in a timely manner.</p> <p>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.</p>		
Interdependencies (risks): Economy and World Events, Organisational Capacity and demand, Council funding, Capital Projects		Lead Service Committee: Environment and Communities
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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)		1 st October 2023
<p>Comments this quarter: The Council is on track to be carbon neutral as an organisation by 2025, however, there remains significant time risks to achieving the target within 2025.</p> <p>Work continues on Council buildings with seventeen solar installations having been completed, providing approximately 1GWh per year. The Council has also put in place a programme of replacing gas boilers with air source heat pumps with 15 installations underway. We continue to replace petrol and diesel vehicles with electric across our services and we have installed 26 new or upgraded electric vehicle charge points with more planned for the second half of this year.</p> <p>Of the three key risks identified this year at Q2:</p>		

1. Fleet: the transition of a minimum of 20 petrol / diesel vehicles to electric with charging facilities is under way with procurement imminent.
2. Solar: to progress the second solar farm to submit a planning application by September 2023 with decision needed by April 2024. A change in approach following advice will see the authority procure a design and build contract with planning part of the contract. This means planning will now be delayed until Q4. This remains the most significant risk to the time element of the project in achieving the 2025 target.
3. Natural Offset: the planting of the next two key large woodlands this planting season Oct 2023 - May 2024. The authority has only been able to progress one of the two sites identified for this year which is now out to procurement. The increased risk associated with this element pushing the need for a greater degree of planting to the final planting season in 2024-25.

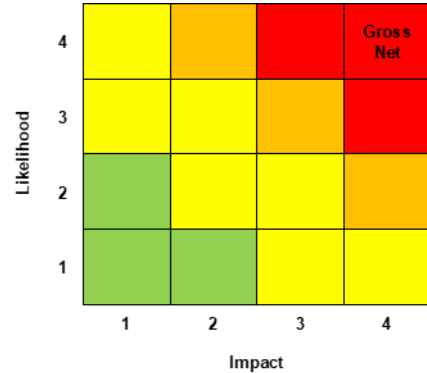
Timescale for managing risk to an acceptable level: Delivery milestone – Q4 2025/26

Risk Name: Local Planning Authority Modernisation Plan		Risk Owner: Executive Director of Place
Risk Ref: SR18	Date updated: Q2 /2023/24	Risk Manager: Interim Director of Planning, Head of Planning
<p>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.</p> <p>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.</p> <p>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.</p>		
Interdependencies (risks): Organisational Capacity and Demand, Reputation, Council Funding,		Lead Service Committee: Environment and Communities
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> 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 with the supplier, IDOX continues (Weekly team and fortnightly Project Board meetings)		Q4 2023/24
Staffing Restructure – discussion with HR re JDQs evaluations (Regular meetings and updates)		Q3 2023/24
External support from Capita retained to assist with backlog. Bid for 'backlog funding' from DLUHC submitted (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
<p>Comments this quarter: The key priorities identified below continue but with the addition of the s106 Audit and actions required to complete recommendations - which are already being addressed. Key priorities:</p> <ol style="list-style-type: none"> Legal discussions with IT supplier continue with a revised contract being drafted to ensure compensation / penalties for failure to meet revised project plan. Change in personnel from supplier does give some encouragement for positive progress on key issues of data migration and resolution of functional issues. This risk remains high (9) with estimated go live date toward end of Q4 23/24. 		

2. Application backlog has reduced further due to fast-track days, with a focus on older applications. Support from Capita continues, albeit at a reduced level. Continuation dependent on Backlog funding bid.
3. Draft structure completed and awaiting engagement with HR/Job evaluation team. Corporate financial pressures threaten ability to press on with restructure as originally highlighted within Planning Review given growth that is required to meet needs.
4. Customer service actions continue to be instigated as and when possible - depending on resources. Validation Checklist work and meetings with other Services/Consultee groups have progressed well during this period.

Notwithstanding the clear commitment from the Service to deliver progress, all the above remains at risk due to dependency on the Service and key personnel within it, to deliver outcomes while undertaking the day-to-day duties of a busy high-profile service.

Timescale for managing risk to an acceptable level: 3-12 months (depending on priority)

Risk Name: HS2 Infrastructure Investment		Risk Owner: Executive Director of Place
Risk Ref: SR19	Date updated: Q2 202324	Risk Manager: HS2 Programme Director
<p>Risk Description: HS2 is a government led scheme, impacting Cheshire East Borough. HS2 services will call at Crewe station when Phase 2a opens between 2032 and 2036 with 2 HS2 trains per hour. Plans for Phase 2b include the Crewe North Connection that could enable up to 5/7 HS2 trains per hour calling at Crewe, in each direction. However, the business case for Phase 2b does not include any additional services, from the 2 HS2 trains per hour, calling at Crewe when Phase 2b opens between 2035 and 2040.</p> <p>Government's proposals for Crewe hub station fall far below those of other HS2 hubs and don't reflect its role as a rail super-hub and the first HS2 hub in the North. Current proposals are unlikely to unlock the regeneration, growth and levelling up potential for Crewe from the investment in HS2. Securing the required investment for the Crewe station is critical to the Council in delivering its Crewe hub vision, maximise cost and programme efficiencies and minimise disruption to rail passengers and local communities.</p> <p>The government is in control of the HS2 programme and its delivery timescales. Delays to the scheme were announced as part of the Integrated Rail Plan, published in November 2021. In March 2023, Government announced a further 2-year delay to the delivery of HS2 Phase 2a, between the West Midlands and Crewe, as a way to manage the affordability pressures resulting from the construction inflation pressures. Such delays, and the risk of further delays to HS2 Phase 2b, leads to uncertainty on the delivery and viability of the Council's wider ambitions for the Crewe hub. However, Government has reiterated its ambition to deliver the full western leg of HS2, including Phase 2a to Crewe and 2b on to Manchester.</p> <p>The Council has been developing its vision and plans for the Crewe hub alongside partners for several years, at significant cost to the Council, lack of firm commitments about timing, infrastructure and HS2 train services means there are uncertainties on the programme delivery and scope puts increasing risk on these costs being abortive.</p> <p>On 4th October 2023, the Prime Minister announced that HS2, north of Birmingham would be scrapped. Therefore, HS2 Phases 2a and 2b would not be progressing and there will no longer be a Crewe HS2 hub. Consequently, the above risk is no longer applicable.</p>		
Interdependencies (risks): Economy and World Events, Organisational Capacity and demand, Council funding, Capital Projects		Lead Service Committee: Highways and Transport, Environment and Communities, Economy and Growth
<p>Key Mitigating Controls:</p> <ul style="list-style-type: none"> The Council secured the following commitments from Government through its petition against the Phase 2b hybrid bill: <ul style="list-style-type: none"> To fund and commission a study to identify the interventions needed at Crewe station to support future passenger demand and unlock regeneration opportunities and to fund the necessary design work of such interventions which is due to be completed by the end of summer 2023, and to establish a Crewe Hub Taskforce, made up of senior officials from the Council and from across central government departments, focused on maximising the regeneration opportunities from HS2 for Crewe. The taskforce will be governed under a more robust governance arrangement than the prior arrangements to drive forward the regeneration potential for Crewe. There have been no control failures to date. In fact, the controls in place today are probably stronger than at any point in achieving the objective with Government now actively and publicly supporting our ambitions to deliver the Crewe Hub Vision. Following this report, Government will fund the design work for the recommended solution. 		

Risk Management Q2 Update - Appendix A

<ul style="list-style-type: none"> Furthermore, Government has now commenced a deep dive for the Crewe Hub. This is a joint DfT/DLUHC initiative that will identify ways in which central government can better support CEC to unlock the opportunities for Crewe. The Council is also looking at opportunities to bring forward key investments in advance of HS2 to seek to accelerate the benefits and reduce the overall risk further. HS2 to Cheshire East has been cancelled and this risk is no longer applicable. Therefore no controls are required moving forward. 	
Actions (Monitoring):	Target Date for Completion
Negotiations with Government re. compensation	On-going
Comments this quarter: It is proposed that this risk is removed at Q2 review.	
Timescale for managing risk to an acceptable level: N/A	

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Audit and Governance Committee

7 March 2024

Internal Audit Plan 2024/25

Report of: David Brown, Director of Governance and Compliance

Report Reference No: AG/23/23-24

Ward(s) Affected: All Wards

Purpose of Report

- 1 The purpose of this report is for the Committee to receive and approve the summary Internal Audit Plan for 2024/25 (Appendix A).

Executive Summary

- 2 The preparation and delivery of the annual Internal Audit Plan, annual opinion on the arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement (AGS) are key indicators and contributors for the Council's corporate objectives as an open and enabling organisation.
- 3 The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which considers the need to produce an annual internal audit opinion. The opinion is a key source of assurance for the AGS which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

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.

Background

- 4 All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the PSIAS. The PSIAS state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit & Risk (as “Chief Audit Executive”) to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 5 The planning process and risk assessment is detailed in Appendix A. The process ensures internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.
- 6 For planning purposes, the 2024/25 plan is based on current internal audit resources with adjustments made where necessary to reflect any changes in resource during the year.
- 7 Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and prioritised accordingly. The proposed risk-based summary internal audit plan for 2024/25 is included at Appendix A.
- 8 In accordance with the PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team (CLT) has been consulted on the plan prior to this presentation to the Committee.
- 9 The plan will be reviewed and refined during the year. Minor changes to the plan will be agreed by the Head of Audit & Risk. Any significant matters impacting upon the completion of the plan or the ability to

provide the annual opinion will be reported to CLT and the Audit and Governance Committee.

- 10 In accordance with the Internal Audit Charter, the Committee is asked to review and approve the summary internal plan 2024/25. In doing so, Members should consider whether the:
- (a) Scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS.
 - (b) Level of resources in any way limits the scope of Internal Audit or prejudices the ability to deliver a service consistent with the PSIAS.
 - (c) Level of non-assurance work has an adverse impact on the core assurance work.

Consultation and Engagement

- 11 In preparing the Internal Audit Plan 2024/25, consultation has been undertaken to identify the expectations of senior management, external audit, and other key stakeholders (as detailed in Appendix A).

Reasons for Recommendations

- 12 The Internal Audit Charter, developed in accordance with the PSIAS requires the production of an annual internal audit plan. The plan sets out the anticipated range and volume of work which is required to deliver the annual internal audit opinion on the organisation's arrangements for governance, risk, and control.
- 13 The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

Other Options Considered

- 14 None applicable.

Option	Impact	Risk
Do nothing.	Failure to provide Audit and Governance Committee with the annual internal audit plan for review and approval.	Failure to comply with the Public Sector Internal Audit Standards.

Implications and Comments

Monitoring Officer/Legal

- 15 All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- 16 The guidance accompanying the Regulations recognised that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent “proper internal audit practices”. The PSIAS apply to all internal audit service providers within the UK public sector.

Section 151 Officer/Finance

- 17 In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 18 The Internal Audit Plan 2024/25 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan.
- 19 If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed, and reported to the Committee.

Policy

- 20 There are no direct implications for policy.

Equality, Diversity and Inclusion

- 21 There are no direct implications for equality, diversity and inclusion.

Human Resources

- 22 The current Internal Audit team comprises an Internal Audit Manager (acting up), 1 Principal Auditor (acting up), 3 Senior Auditors and 2 Auditors equating to 6.1 FTE (full time equivalent).

- 23 The Internal Audit Manager post continues to be filled through a longstanding acting up arrangement by a Principal Auditor. A Principal Auditor vacancy also continues to be filled through an acting up arrangement by a Senior Auditor. The substantive Principal Auditor and Senior Auditor posts remain vacant.

Risk Management

- 24 Delivery of an appropriately balanced and focused Internal Audit Plan supports the Council's ability to effectively and efficiently identify and manage its risks, with the implementation of recommended actions designed to deliver improvements in governance and the control environment.

Rural Communities

- 25 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)

- 26 There are no direct implications.

Public Health

- 27 There are no direct implications for public health.

Climate Change

- 28 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit & Risk Email: josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix A – Internal Audit Plan 2024/25
Background Papers:	Public Sector Internal Audit Standards (PSIAS) The Accounts and Audit Regulations 2015

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Internal Audit Plan 2024/25

Audit and Governance Committee - 7 March 2024

*Working for a **brighter future** together*



1. Introduction

- 1.1. This document sets out Cheshire East Council's Internal Audit Plan for 2024/25. It also covers how the service will be delivered and developed in accordance with the Internal Audit Charter and how the plan links to the Council's objectives and priorities.
- 1.2. The provision of assurance is the primary role for Internal Audit. This role requires the Head of Audit and Risk as the Chief Audit Executive, to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control (i.e., the control environment).
- 1.3. The objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Chief Audit Executive to provide an independent and objective opinion to the Council on the control environment and that audit activity focuses on areas where assurance is most needed.
- 1.4. This plan, detailed in Table 3, has been produced based on the known, current, resource available. In developing the plan, we have looked to recognise the context of strategic and operational change affecting the Council and providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.
- 1.5. This summary plan has been drawn up on the basis that the control environment and risk profile of the Council will continue to change during 2024/25, and the plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.
- 1.6. Therefore, the plan identifies the level of resource available for the full year and details the priority work intended to be carried out over the first 6 months. This will allow Internal Audit to be agile in responding to emerging risks and issues.
- 1.7. Progress updates, consideration of the ongoing priorities for internal audit and where necessary, revisions to the plan will be brought back to the Audit and Governance Committee. By working closely with services to regularly assess areas of risk and weakness we will ensure that Internal Audit continues to add value to the organisation in an efficient and effective manner.

2. Responsibilities and Objectives of Internal Audit

- 2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council that these arrangements are in place and operating properly.
- 2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) as an "independent, objective assurance and consulting service designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined

approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

- 2.3. Internal Audit’s primary function is the provision of assurance. This is delivered through the provision of the annual internal audit opinion, which informs the Annual Governance Statement (AGS) and is based on an objective assessment of the framework of governance, risk management and control.
- 2.4. Subject to the availability of resources, and there being no impact on the core assurance work, non-assurance work, including fraud related, and consultancy work may be undertaken at the request of the organisation.
- 2.5. The responsibility for the prevention and detection of fraud rests with management, but the potential for it to occur is considered in each Internal Audit assignment. It is the responsibility of the organisation to create an environment of no tolerance, and ensure adequate controls are in place to prevent and detect fraud.
- 2.6. The Council’s response to internal audit activity should lead to the strengthening of the control environment and therefore positively contribute to the achievement of the Council’s objectives.

3. Standards, Ethics, and Independence

- 3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1st April 2017. All Internal Audit work will be delivered in line with the requirements of the Standards.
- 3.2. All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSIAS. Internal Audit staff are also bound by the requirements of their respective professional bodies.
- 3.3. Declarations of Interest in line with the Council’s Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.
- 3.4. To provide effective assurance on the Council’s arrangements for governance, risk, and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit’s rights of access are outlined in the Internal Audit Charter and the Finance Procedure Rules.
- 3.5. As the Head of Audit and Risk as Chief Audit Executive has operational responsibilities for other services, assurance work in this area is reported to the Director of Governance and Compliance or Executive Director Corporate Services to maintain independence and objectivity.

4. Planning Methodology

- 4.1. The planning process undertaken recognises and complies with the requirements of the PSIAS in relation to planning. In accordance with the Standards, the plan is fixed for a period of no longer than one year.

- 4.2. In accordance with the Charter, the annual Internal Audit Plan for 2024/25 has been developed using a risk-based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan considers the requirement to produce an annual internal audit opinion and the assurance framework.
- 4.3. The starting point for preparing the plan is to consider the adequacy and outcomes of the Authority's assurance processes, including its risk and performance management arrangements.
- 4.4. As the Council has recognised its current level of risk maturity as between "risk aware and risk defined" and is working towards its target of becoming "risk managed"¹, additional work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan.
- 4.5. The Internal Audit plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. It is, therefore, presented at a summary level. The plan is monitored regularly throughout the year to ensure that it addresses key areas of risk and emerging issues.
- 4.6. Internal Audit's own risk assessment considers issues at an organisation, regional and national level as well as the results of previous audit work. The assessment considers materiality, sensitivity, and significance of each. This prioritises areas for inclusion in the plan.
- 4.7. Factors considered in the risk assessment are listed below,
- Objectives from the Cheshire East Council's Corporate Plan 2021-25
 - Risks and opportunities recognised on the Strategic Risk Register
 - Items in the current year Plan which are in train at the year end, or need to be rolled forward into the new plan
 - Coverage from previous internal audit plans and the outcome of follow up work
 - Consultation with key internal stakeholders; Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff
 - External stakeholders and other assurance providers; External Audit, Cheshire West and Chester Internal Audit (for Shared Services hosted by this Council), the North-West Chief Audit Executive Group and other inspectorate agencies and providers of assurance
- 4.8. The plan will be reviewed and refined during the year, to ensure the following processes are considered:
- Outcomes from the Strategic Risk Management Process

¹ <http://moderngov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?CId=241&MIId=5685>

- Outcomes from the business/commissioning planning process, including key organisational objectives and priorities and risks to achieving them
 - Outcomes from the Annual Governance Statement process
 - Continuing consultation with key stakeholders
 - The continuing assessment of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources
- 4.9. In delivering the 2024/25 Plan there will be a need to take account of the following:
- The requirement to use specialists, e.g. ICT or contract and procurement auditors
 - Development of the Internal Audit function
 - Self-assessment against the Quality Assurance and Improvement Programme (QAIP) and self-assessment against the PSIAS
 - Clarification on any requirements for internal audit support to the Council's Alternative Service Delivery vehicles, and any other organisations where the Council acts as host or accountable body
- 4.10. Minor changes to the plan proposed by the Internal Audit Manager will be agreed by the Head of Audit & Risk. Any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

5. Key Themes and Outputs

- 5.1. In developing the plan, we have identified priorities for the first 6 months of 2024/25, this is in line with the approach to the 2023/24 plan and allows for flexibility and responsiveness to new developments.
- 5.2. These priorities will be subject to review throughout the year thus enabling Internal Audit to respond to emerging risks and issues and continue to add value to the organisation. Changes to the plan will be reported to future meetings of Audit and Governance Committee.
- 5.3. Key themes within the 2024/25 Internal Audit Plan include:
- Continued assurance around the operation of Key Financial Systems since the introduction of Unit 4
 - Assurance around the operation of the Council's governance arrangements, including Wholly Owned Companies, SEND and the DSG High Needs Management Plan
 - 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
- 5.4. The outputs from the plan fall into two main areas:

Assurance Audits

On completion of an assurance audit an opinion report will normally be issued, in line with the Internal Audit Charter, on the risks and controls of the area under review. The overall opinions used are “Good”, “Satisfactory”, “Limited” and “No Assurance”. Reports are shared with the Council’s External Auditors.

The opinions given on individual assurance reports inform the annual audit opinion on the control environment that is reported to the Audit and Governance Committee.

Consulting Services

These are advisory in nature and generally performed at the specific request of the organisation. The nature and scope of the consulting engagement should aim to improve governance, risk management and control and should still contribute to the overall opinion.

In some cases, it may not be appropriate or proportionate to provide a full report and opinion. In these instances, advice may be documented by email, or a formal memo or email reference and a short note will be made in the annual report.

- 5.5. The main areas of the plan that will deliver an opinion on the risks and controls of the area under review and will inform the Head of Audit and Risk’s Annual Internal Audit Opinion include:

- Key Financial Systems
- Corporate Core and Cross Service Systems
- Service Specific Systems
- Anti-Fraud and Corruption – Proactive reviews
- Project/contract audit
- ICT/Computer audit
- Investigations
- Continuous auditing/monitoring
- Probity/compliance audit
- External clients

- 5.6. The main areas of the plan that will not deliver an opinion report but will help inform the Annual Internal Audit Opinion include:

Corporate Governance and Risk

- Support to and co-ordination of the production of the Annual Governance Statement (AGS).
- Attendance at officer working groups such as the Information Governance Group.

Statutory Returns

- Internal Audit may be required, as a stipulation of funding or similar, to carry out an audit/give assurance on the programme/project or aspects, thereof, and report back to the statutory/funding body.

Anti-Fraud & Corruption

- National Fraud Initiative – results are recorded on the Cabinet Office secure website.

Follow Up

- Monitoring the effective implementation of agreed audit recommendations to provide assurance that improvements in the control environment are being realised.

Advice and Guidance

- The exact nature and scope of any internal audit work is agreed in advance with the manager.

- 5.7. Other work undertaken by the Head of Audit and Risk and the Internal Audit Team, but that will not necessarily inform the annual opinion includes:

Corporate Work

- Supporting the Audit and Governance Committee including production of reports
- External Audit liaison
- Support and contribution to corporate initiatives and working groups.
- Regional Collaboration

Anti-Fraud and Corruption and Whistleblowing Reports

- At the request of management, Internal Audit may assist with the investigation of suspected fraud and corruption in response to reports and referrals received under the Council's Whistleblowing Policy
- Awareness raising
- Supporting the production and development of Corporate Policies and Procedures

- 5.8. In accordance with CIPFA guidance² the Head of Audit and Risk, as Chief Audit Executive, should be made aware of major new systems and proposed initiatives to help ensure risks are properly identified and evaluated and appropriate controls built in.

- 5.9. In addition, time has been allocated in the plan for the service to be developed and improved.

- 5.10. Internal Audit also provides services to PATROL³, as Cheshire East Council is the host Council. Reports on this area provide assurance to the management body of PATROL and do not contribute to the Annual Internal Audit Opinion.

² "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010

³ The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.

- 5.11. As Accountable Body for the Cheshire and Warrington Local Enterprise Partnership (CWLEP), Cheshire East Council is required to undertake assurance on the use of specific funding streams administered by CWLEP, and to provide assurance to the Council's Section 151 Officer, in support of their own reporting requirements in relation to CWLEP.
- 5.12. During the year, Internal Audit may be able to undertake assurance work for other external clients, subject to being able to prioritise the delivery of the annual audit opinion for the Council.

6. Resource and Delivery

- 6.1. The Internal Audit Plan 2024/25 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual audit opinion. The resources currently available are outlined in Table 1 below:

Table 1: 2024/25 Resource compared to previous years

Audit Year	2024/25	2023/24	2022/23
Maximum Days	1,587	1,823	1,738
Unavailable Working Days <i>Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave</i>	295	347	292
Available Working Days	1,292	1,476	1,446
Non-Chargeable Sub Total <i>Training, Planning, Team Management and Service Development</i>	167	177	172
Chargeable Days	1,125	1,299	1,274

- 6.2. The current Internal Audit Team comprises an Internal Audit Manager (acting up), 1 Principal Auditor (acting up), 3 Senior Auditors and 2 Auditors equating to 6.1 FTE (full time equivalent).
- 6.3. The Internal Audit Manager post continues to be filled through a longstanding acting up arrangement by a Principal Auditor. A Principal Auditor vacancy also continues to be filled through an acting up arrangement by a Senior Auditor. The substantive Principal Auditor and Senior Auditor posts remain vacant.
- 6.4. There is a decrease in the number of chargeable days available for 2024/25 in comparison to the previous year. The previous year's plan included provision of temporary resource to cover the Principal Auditor and Senior Auditor vacancies. However, the temporary resource was not required during 2023/24. Therefore, the proposed resource outlined above will ensure that sufficient evidenced work can be completed during 2024/25 to inform the Annual Internal Audit Opinion.
- 6.5. The allocation of days to areas of the plan as shown in Table 3 is indicative. During the scoping of individual assignments, auditors will work with relevant

managers to refine the risks and controls upon which assurance is required, and the allocation will be amended if appropriate.

- 6.6. A contingency figure is included to recognise that the plan needs to be flexible to be able to reflect the changing risks and priorities of the Council. The plan does include a small amount of time for advice and guidance in addition to a specific contingency for reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.
- 6.7. If there is an imbalance between the work plan required to deliver an annual opinion and the resources available, the Audit and Governance Committee will be informed of this, and of proposed solutions. Significant matters which jeopardise the delivery of the plan or require changes to the plan will be identified, addressed, and brought to the attention of the Corporate Leadership Team and the Audit and Governance Committee.
- 6.8. In further defining the audit plan for delivery, areas of work may be highlighted which the Internal Audit function is not currently sufficiently staffed/skilled to provide assurance on, for example, specialist ICT audits. In these cases, there will be a need to consider procuring external resource to provide the necessary assurance.
- 6.9. Internal Audit's key priority will always be to deliver the assurance programme of work to provide the Council with an informed annual audit opinion.

7. Progress Reporting

- 7.1. During the year, Internal Audit will produce interim progress reports for the Audit and Governance Committee, detailing key issues arising from audits and progress made against the Audit Plan. Any significant matters affecting the delivery of the plan or requiring changes to the plan will also be reported to the Committee.
- 7.2. At the end of the year, an Annual Report, containing the Internal Audit Opinion, is presented to the Audit and Governance Committee to provide assurance or otherwise on the effectiveness of the internal control framework of the Council. This will be based on the findings of the work carried out during the year.

8. Quality Assurance and Improvement

- 8.1. Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.
- 8.2. The outcomes of this activity are reported to the Corporate Leadership Team and the Audit and Governance Committee, including results of ongoing internal assessments and external assessments conducted at least every five years.
- 8.3. The external assessment against PSIAS was carried out under the peer review arrangement with the North-West Chief Audit Executive Group and reported to the Audit and Governance Committee in September 2018. This external

assessment should be completed every 5 years and our assessment will be completed in early 2024/25, with the outcome being reported back to the Committee.

Performance Indicators

- 8.4. Internal Audit has several existing Performance Indicators that are reported to the Audit and Governance Committee through the year via interim reporting and the Annual Report.

Table 2: Internal Audit Performance Indicators

Performance Indicator	2024/25 Target	2023/24 Actual to date	2022/23 Actual	2021/22 Actual
Percentage of Audits completed to user's satisfaction	95%	100%	96%	83%
Percentage of significant recommendations agreed	95%	100%	100%	100%
Productive Time (Chargeable Days)	85%	83%	87%	82%
Draft report produced promptly (per Client Satisfaction Form)	95%	100%	95%	93%
Percentage of agreed audit recommendations implemented	90%	100%	100%	100%
Percentage of agreed audit recommendations implemented within agreed timescale	75%	100%	100%	100%

Collaboration

- 8.5. The Head of Audit and Risk continues to participate in the North-West Chief Audit Executive Group, which meets regularly and acts as a discussion group on various local and national developments affecting Internal Audit, Corporate Governance, Risk Management and Counter Fraud. The Group also conducts peer reviews for the required external review of Internal Audit against PSIAS every 5 years.
- 8.6. The group also has several sub-groups, including Schools, Counter Fraud and Contract Management which are attended and supported by members of the Internal Audit team. These are extremely useful for sharing best practice and learning from colleagues' experiences and provide informal benchmarking opportunities.
- 8.7. Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits of participation should be to increase the level of assurance available for all partners, to develop strong working relationships and to provide positive learning experiences. Careful consideration is given to the practicalities of undertaking fieldwork and the reporting of findings as part of developing the scope of each engagement.

- 8.8. Internal Audit work around assurance of the ICT Hybrid Programme has been undertaken with Cheshire West and Chester Council's Internal Audit team during 2023/24 and will continue throughout 2024/25.

Service Priorities

- 8.9. A key focus for Internal Audit during the year ahead is to ensure that our initial follow up activity on the implementation of actions is supplemented by a further assessment of whether those actions have achieved the intended improvements to the control environment.
- 8.10. A review of our approach to assurance mapping will also be undertaken, in line with the "three lines of defence"⁴ model; this can assist in providing oversight and assurance to the organisation that controls and processes are in place and operating effectively.
- 8.11. All reviews undertaken by Internal Audit will have a focus on the use of resources and opportunities to impact positively on the Council's financial position.

⁴ **First Line of Assurance** – functions that own and manage risks, usually areas of service delivery, assurance from performance reporting

Second Line of Assurance – functions that oversee or specialise in the compliance or the management of risk, assurance from monitoring reports

Third Line of Risk – functions that provide independent assurance, such as external or internal audit or other regulatory bodies.

Table 3: Summary Internal Audit Plan 2024/25 including Q1/Q2 Priorities

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Priorities and Strategic Risks</i>	Context	2024/25 Planned Audit Days	2024/25 Planned %
Chargeable Days			1,125	
Less: Corporate Work			115	
<i>Includes:</i> <ul style="list-style-type: none"> Corporate Requirements: Corporate Management Duties, Performance Development Review Process. Corporate Groups and Assurance: Annual Governance Statement, Assurance Framework development and maintenance Audit and Governance Committee: Committee Support and Administration, Member Liaison, Induction Training and Development. 	<ul style="list-style-type: none"> CP1: An open and enabling organisation 	Activities which the Internal Audit function are required to participate in corporately or have direct responsibility for providing.		
Available Audit Days			1,010	
Corporate Governance and Risk			105	10
<i>Includes:</i> <ul style="list-style-type: none"> Audit and Governance Committee: Internal Audit reports to Committee. Support to the continual assessment and development of Corporate Governance External Audit Liaison Regional Collaboration - Working with regional internal audit partners 	<ul style="list-style-type: none"> CP1: An open and enabling organisation SR06: Organisational Capacity and Demand SR08A: Governance and Decision Making 	Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion.		

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Priorities and Strategic Risks</i>	Context	2024/25 Planned Audit Days	2024/25 Planned %
<ul style="list-style-type: none"> Reviewing corporate and operational risk management arrangements 				
Anti-Fraud and Corruption - Proactive Reviews			30	3
National Fraud Initiative	<ul style="list-style-type: none"> CP1: An open and enabling organisation SR3: Failure of Financial Management and Control SR13: Reputation 	Statutory requirement – NFI/Responding to fraud trends/Awareness raising.		
Anti-Fraud and Corruption - Reactive Investigations			30	3
Specific contingency for reactive investigations in response to demand.	<ul style="list-style-type: none"> CP1: An open and enabling organisation SR3: Failure of Financial Management and Control SR13: Reputation 	Undertaken/supported as necessary after appropriate risk assessment.		
Key Financial Systems			200	20
<u>Q1/Q2 Priorities:</u> General Ledger Accounts Payable Capital Budget Monitoring <u>Q3/Q4 – likely areas of work</u> Accounts Receivable Housing Benefits	<ul style="list-style-type: none"> CP1: An open and enabling organisation SR3: Failure of Financial Management and Control SR06: Organisational Capacity and Demand SR07: Failure of Council Funding SR08A: Governance and Decision Making 	These are areas which have not been reviewed since the implementation of Unit 4 or have not been subject to recent review in the Internal Audit Plan. Reviews will evaluate and test the effectiveness of the key controls within each financial system, including the management of the risk of fraud and error, and the potential for material mis-statement in the financial statements.		
Corporate Core and Cross Service			130	13

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Priorities and Strategic Risks</i>	Context	2024/25 Planned Audit Days	2024/25 Planned %
<u>Q1/Q2 Priorities</u> Wholly Owned Companies Transactional Service Centre Procurement <u>Q3/Q4 – likely areas of work:</u> ICT Hardware, Software, Licences Health & Safety Unit 4 FP&A LEP (S151 Assurance)	<ul style="list-style-type: none"> • CP1: An open and enabling organisation • CP2: A council which empowers and cares about people • CP3: A thriving and sustainable place • SR1a: Increased Demand for Adult Services • SR1b: Increased Demand for Children's Services • SR3: Failure of Financial Management and Control • SR4: Information Security and Cyber Threat • SR5: Business Continuity • SR6: Organisational Capacity and Demand • SR8a: Governance and Decision Making • SR11: Pandemic Virus 	Key Corporate and Cross service risks. Provision of assurance on the effectiveness of the Council's internal control and governance arrangements in respect of these arrangements.		
Adults, Health, and Integration			110	11
<u>Q1/Q2 Priorities</u> Use of Pre-Loaded Cards LGO Findings Communities - Grants	<ul style="list-style-type: none"> • CP2: A council which empowers and cares about people 	Key Corporate and Cross service risks. Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas,		

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Priorities and Strategic Risks</i>	Context	2024/25 Planned Audit Days	2024/25 Planned %
<u>Q3/Q4 – likely areas of work:</u> Occupational Therapy Implementation of Charging Policy	<ul style="list-style-type: none"> SR1a: Increased Demand for Adult Services SR2: NHS Funding SR11: Pandemic Virus SR12: Fragility and failure in the social care market 	reviewing performance management and the achievement of outcomes. Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects.		
Childrens & Families			110	11
<u>Q1/Q2 Priorities:</u> Fostering DSG High Needs Management Plan <u>Q3/Q4 – likely areas of work:</u> Governance of SEND Schools Financial Value Standard	<ul style="list-style-type: none"> CP2: A council which empowers and cares about people SR1b: Increased Demand for Children's Services SR2: NHS Funding and Integrated Care System SR12: Fragility and failure in the social care market SR18: Delivery of the JTAI Improvement Plan 	Key Corporate and Cross service risks. Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing performance management and the achievement of outcomes. Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects.		
Place			100	10
<u>Q1/Q2 priorities:</u> Highways S106 Follow Up <u>Q3/Q4 – likely areas of work:</u> Property Management	<ul style="list-style-type: none"> CP3: A thriving and sustainable place SR7: Failure of Council Funding SR9: Capital Projects (Place) 	Outcome from reviewing key departmental and service risk areas. Assurance on arrangements for key service delivery areas and reviewing performance management in front line service area.		

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Corporate Priorities and Strategic Risks</i>	Context	2024/25 Planned Audit Days	2024/25 Planned %
	<ul style="list-style-type: none"> SR10: HS2 Infrastructure Investment) SR14: Climate Change (CEC Carbon Neutral 2025) SR15: Failure of the Local Economy SR17: LPA Modernisation Plan 			
Providing Assurance to External Organisations			35	3
<i>Includes:</i> PATROL <i>Other organisations may request assistance in year, subject to available resource</i>	<ul style="list-style-type: none"> Host Authority arrangement 	Provide assurance in agreed format, similar to former Small Bodies Annual Return		
Advice and Guidance			40	4
<i>Includes:</i> Provision of ad-hoc advice and guidance to services	<ul style="list-style-type: none"> <i>This could cover any/all Corporate Priorities and Strategic Risks</i> 	<p>Add value and improve overall governance, risk management and control processes within the organisation.</p> <p>Consultancy for specific projects, particularly the achievement of MTFS proposals during 2023/24</p>		
Other Chargeable Work			120	12
<i>Includes:</i> Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions.	<ul style="list-style-type: none"> <i>This could cover any/all Corporate Priorities and Strategic Risks</i> 	<p>Specific requests from services</p> <p>Follow up implementation of recommendations, including further testing or additional work where necessary.</p>		
Total Audit Days			1,010	100

OPEN

Audit and Governance Committee

7 March 2024

Annual Governance Statement 2022/23

Report of: David Brown, Director of Governance & Compliance

Report Reference No: AG/26/23-24

Ward(s) Affected: All Wards

Purpose of Report

- 1 The purpose of this report is for the Committee to receive and agree 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 will accompany the Statement of Accounts and be published on the Council's website.

Executive Summary

- 2 The Council's assessment of its governance arrangements for 2022/23 has identified one additional significant governance issue to those included in previous years.
- 3 One previously identified governance issue has been removed as agreed by the Committee in July 2023. It is also proposed that a further previously identified issue is removed from future statements.
- 4 Finally, the remaining governance issues have been updated to reflect the progress made to date.
- 5 The proposed final AGS for 2022/23 is provided in Appendix A with a list of changes made since the draft AGS was approved in July 2023 provided as Appendix B for ease of reference.

RECOMMENDATIONS

The Audit and Governance Committee is recommended to:

1. Approve the Annual Governance Statement 2022/23
2. Approve the proposed removal of the Cheshire East Safeguarding Children's Partnership significant issue from future Annual Governance Statements

Background

- 6 The Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015.
- 7 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix A are the results of that review.
- 8 The draft AGS was published on the Council's website following the Audit and Governance Committee meeting on 27 July 2023. A small number of changes have been made to that draft document to ensure it is up to date at the time of approval, for example, to reflect additional meetings which have occurred since the draft was published. Details of the changes can be found at Appendix B.
- 9 Updates on items recognised in previous Annual Governance Statements are included in Section 7 of the AGS. These have been further updated in preparing the proposed final Statement and the Response to the Public Interest Report significant issue has been removed as agreed by the Committee in July 2023.
- 10 It is also proposed that the Cheshire East Safeguarding Children's Partnership significant issue is removed from future statements. In June 2023, the Department for Education confirmed that systems and processes are now in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.

- 11 No additional items have been included as significant governance issues in updating the AGS from draft to proposed final following the completion of assurance exercises co-ordinated by Internal Audit and reviewed by the Executive Directors.
- 12 Once approved and signed by the Leader and Chief Executive, the AGS will be published on the Council's website, along with the Statement of Accounts, for members of the public, Members, Officers, and other stakeholders to view. Further progress reports on items recognised in the AGS will be provided to the Audit and Governance Committee as part of its work programme.
- 13 Members will be aware that due to delays in external audit completing their work on the financial statements for both 2021/22 and 2022/23, there have been delays in producing the AGS for both years. As a result, there is an element of duplication between the two Statements.

Consultation and Engagement

- 14 The proposed final AGS for 2022/23 has been considered by the Corporate Leadership Team (CLT) and senior managers to ensure all issues impacting the Council have been considered.

Reasons for Recommendations

- 15 In accordance with the Accounts and Audit Regulations 2015, the AGS should be approved by Members of the Council meeting, or by a committee, at the same time as the Statement of Accounts is approved. The Audit and Governance Committee has delegated authority to approve the AGS.

Other Options Considered

- 16 None applicable.

Option	Impact	Risk
Do nothing.	The Annual Governance Statement is not approved by Members of a Council meeting or committee.	Failure to comply with the Accounts and Audit Regulations 2015.

Implications and Comments

Monitoring Officer/Legal

- 17 The production of the Annual Governance Statement is required by Regulation 6(1)(b) of the Accounts and Audit Regulations 2015, which sets out the timescales by which it must be published.
- 18 The Accounts and Audit (Amendment) Regulations 2022 set the timescales for the publication of the draft and final statements as follows:
- (a) Publication of draft statements (Accounts and AGS) reverted to 31 May from 30 September.
 - (b) Publication of final statements (Accounts and AGS) remains at 30th November until up to and including 2027.
- 19 As previously notified to Committee it was not possible to present the final AGS within the deadline as the external auditors had not completed their work on the financial statements. As such, it was necessary to delay the agreement of the AGS to March 2024.
- 20 The preparation of proposed final AGS has been carried out in accordance with the guidance produced by the Chartered Institute of Public Finance (CIPFA) "Delivering Good Governance in Local Government (2016)".

Section 151 Officer/Finance

- 21 There are no financial implications. The production of the AGS aligns with the production of the Council's Annual Accounts and is published alongside the audited accounts.

Policy

- 22 There are no direct implications for policy.

Equality, Diversity and Inclusion

- 23 There are no direct implications for equality, diversity and inclusion.

Human Resources

- 24 There are no direct implications for human resources.

Risk Management

- 25 The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015. Failure to do so could result in non-compliance with the requirements of the Regulations.

Rural Communities

- 26 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)

- 27 There are no direct implications.

Public Health

- 28 There are no direct implications for public health.

Climate Change

- 29 There are no direct implications for climate change.

Access to Information	
Contact Officer:	Josie Griffiths, Head of Audit & Risk Email: josie.griffiths@cheshireeast.gov.uk
Appendices:	Appendix A – Annual Governance Statement 2022/23 Appendix B – Changes between Draft and Final
Background Papers:	N/A

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Annual Governance Statement 2022/23

FINAL

*Working for a **brighter future** together*



1. Executive Summary and Approval

- 1.1. Each year the Council produces an Annual Governance Statement that explains how it operates its corporate governance arrangements, makes decisions, manages its resources, and promotes values and high standards of conduct and behaviour.
- 1.2. The Annual Governance Statement reports on:
- How the Council complies with its own governance arrangements
 - How the Council monitors the effectiveness of the governance arrangements
 - Improvements or changes in governance arrangements proposed for the forthcoming year.
- 1.3. The Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions and endorses the Internal Auditor's opinion on the Council's control environment:

The Council's framework of risk management, control and governance is assessed as adequate for 2022/23

- 1.4. We, as Chief Executive and Leader of the Council, have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements, to the best of our knowledge, continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. The Annual Governance Statement is required to reflect the arrangements in place for 2022/23 and up to the time of its approval. The 2022/23 Annual Governance Statement will be presented to the Audit and Governance Committee on 7 March 2024.
- 1.6. To date, our assessment of the effectiveness of our governance arrangements for 2022/23 has identified one arising significant issue relating to Executive and Wider Leadership Team Capacity which can be found in Section 8.
- 1.7. The following item included in the 2021/22 Statement has been removed as the actions have been completed:
- Response to the Public Interest Report
- 1.8. It is proposed that the significant issue relating to the Cheshire East Safeguarding Children's Partnership is removed from future statements. In June 2023, the Department for Education confirmed that systems and processes are now in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.

- 1.9. The five remaining items from the 2021/22 Statement; Council Funding, Health and Social Care Integration, Planning, ASDV Governance and Cheshire East Children’s Safeguarding Partnership are included again as continuing areas of concern for 2022/23.
- 1.10. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Rob Polkinghorne Chief Executive	Cllr Sam Corcoran Leader

This section will be signed by the Leader of the Council and the Chief Executive after the final AGS is agreed.

2. Introduction

2.1. The Accounts and Audit Regulations 2015 require that:

- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control.
- Findings of this review should be considered by the Council.
- The Council must approve an Annual Governance Statement; and
- The Annual Governance Statement must accompany the Statement of Accounts.

2.2. For Cheshire East Council, the Audit and Governance Committee has delegated authority to undertake these duties on behalf of Council.

3. Scope of Responsibility

3.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The Local Government Act 1999 also places a duty on all councils to secure continuous improvement and to demonstrate economy, efficiency, and effectiveness.

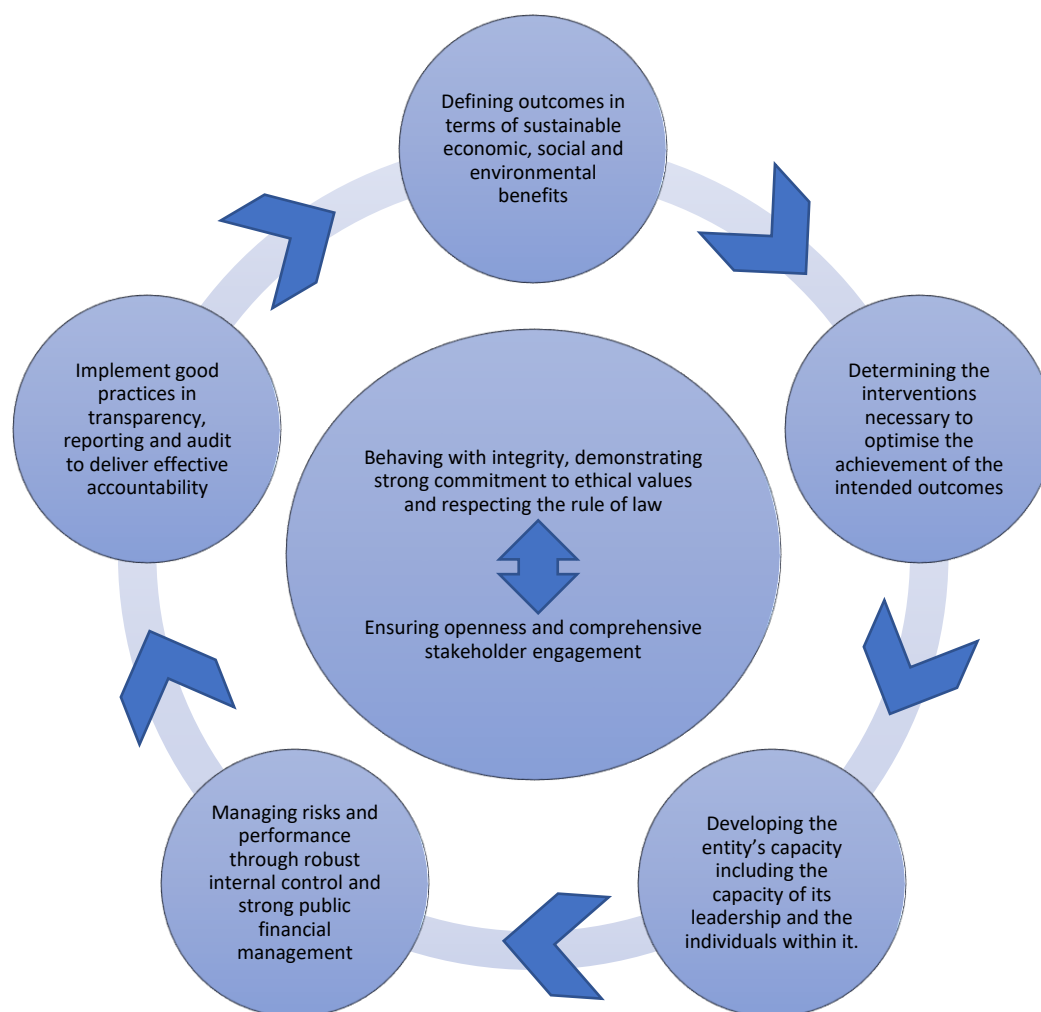
3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.

3.3. In January 2017, Cabinet approved and adopted a Code of Corporate Governance that is consistent with the principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework Delivering Good Governance in Local Government (2016). These are outlined below and summarised in Figure 1.

- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management

- Implement good practices in transparency, reporting and audit to deliver effective accountability
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement

Figure 1 Principles in the Council's Code of Corporate Governance



- 3.4. The annual review of effectiveness has been carried out against the Code of Corporate Governance. The draft Annual Governance Statement was published in July 2023 and has been updated as necessary to ensure this Statement remains current for when the Audit and Governance Committee considers it as final in March 2024.
- 3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and the Chief Executive. It will then be published as Final alongside the Statement of Accounts.

- 3.6. The Annual Governance Statement provides assurance that:
- Governance arrangements are adequate and operating effectively in practice; or
 - Where reviews of the governance arrangements have revealed improvements are required, action is planned to ensure effective governance in future.

4. The Purpose of the Governance Framework

- 4.1. The Governance Framework comprises the systems, processes, cultures, and values by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. This covers services provided and managed directly by the Council, and arrangements delivered through external partners, including the Council's wholly owned companies.
- 4.2. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 4.3. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to:
- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives
 - To evaluate the likelihood of those risks being realised and the impact should they be realised, and
 - To manage them efficiently, effectively, and economically

5. The Governance Framework

- 5.1. The Council's Code of Corporate Governance includes examples of how the Council demonstrates the principles in practice and operation. Therefore, to minimise duplication, it is only supplementary examples and features of the Council's governance framework, specific to 2022/23 which are set out below.
- 5.2. The Governance Framework described below and shown in Appendix 2 has been in place since 4 May 2021, when the committee system model of governance took effect. A diagram explaining the committee system can be found at Appendix 3.

Defining outcomes in terms of sustainable economic, social and environmental benefits

- 5.3. Cheshire East Council's vision and priorities are outlined in the Council's Corporate Plan 2021-2025. The Corporate Plan 2021-2025 was approved by full Council on 17 February 2021 and sets out the priorities of the administration, within the context of the needs of the borough, the views of residents and the resources available.
- 5.4. The Medium-Term Financial Strategy (MTFS) 2022-2026 was agreed at the 24 February 2022 meeting of Council. The report sets out the Council's plan and required funding to ensure Cheshire East remains one of the best places to live in the North West.
- 5.5. The Corporate Plan 2021-25 is reviewed by the Corporate Policy Committee. Quarter 3's performance for 2022/23 was considered at the meeting on 23 March 2023 as part of the Council's performance management accountability framework.
- 5.6. The 2021/22 provisional financial outturn was reported to the Finance Sub Committee on 6 July 2022. The draft pre-audited Statement of Accounts 2022/23 and outturn update 2022/23 were reported to the Finance Sub Committee on 7 June 2023.
- 5.7. The Council delivered and progressed several infrastructure improvements and developments across the Cheshire East area. These major schemes are critical elements in delivering the ambitions of the Council. This includes the Poynton Relief Road which was completed in Spring 2023.
- 5.8. As recognised in previous Statements, the sustained and increasing financial pressures on health and social care services continue to present challenges to the Council. These are recognised as high scoring risks in the Council's Corporate Risk Register. An update on the actions undertaken during 2022/23 is provided later in this Statement.

Determining the interventions necessary to optimise the achievement of the intended outcomes

- 5.9. The Council's Constitution sets out the rules for conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation.
- 5.10. At the meeting of Council in May 2019, a Notice of Motion committing the Council to a change in its decision-making governance arrangements was referred to Constitution Committee.

- 5.11. In November 2019, the Constitution Committee determined not to make a recommendation to Council at that stage, requesting further work to be undertaken. The Constitution Committee received an update in October 2020.
- 5.12. In November 2020, Council agreed that the new governance arrangements would take effect from the Annual Council meeting on 12 May 2021 and at the meeting held 19 April 2021 a report on the Constitutional Update to implement the Committee System was considered and it was agreed to adopt the Constitution from the next Annual General Meeting. In April 2021, the Corporate Overview and Scrutiny Committee considered a report on the financial implications on the incoming committee system. On 4 November 2021, the Corporate Policy Committee received a report on the Interim Review of the Committee System. This report was also presented to Council at their 15 December 2021 meeting. Furthermore, on 14 April 2022, the Corporate Policy Committee received a report on the first Annual Review of the Committee System. This report was subsequently presented to Council at the 27 April 2022 meeting. On the 15 June 2023, the Corporate Policy Committee received the second Annual Review of the Committee System.
- 5.13. The Council undertook extensive pre-budget consultation, setting out change proposals for consideration over the period 2022/23 to 2025/26. Stakeholders were invited to comment on the Council's pre-budget report using an online survey launched in November 2021 and a summary of the responses formed part of the consideration of the MTFS 2022/26 by Council at the meeting held 24 February 2022.
- 5.14. The MTFS clearly identifies how resources will be matched against the delivery of priorities established in the Council's Corporate Plan. In October 2021, Council approved a report on aligning the MTFS to the Committee Structure.
- 5.15. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Capital, Investment and Reserves Strategies.

Developing the entity's capacity including the capacity of its leadership and the individuals within it.

- 5.16. The Chief Executive, Executive Directors and Statutory Officers met regularly during 2022/23 as the Corporate Leadership Team (CLT), receiving assurance reports and updates from across the Council. CLT is supported by service/departmental management team meetings, and several cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the Governance Framework diagram in Appendix 2.
- 5.17. The Council's Constitution defines the standards of conduct and personal behaviour expected of, and between, members, staff, and the community, defined

and communicated through Codes of Conduct and protocols. The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers. Audit and Governance Committee considered the development of a working group to review and update the Member Code of Conduct in September 2021. The Committee received a verbal update at the meeting held 30 September where it was confirmed that the working group had met and held two sessions with Town and Parish Councils and agreed to extend the time for feedback until November. The draft Member Code of Conduct was received by Audit & Governance Committee on 28 July 2022. The Code of Conduct was put to and adopted by full Council on 19 October 2022.

- 5.18. In addition to an ongoing programme of member briefings, key training events for 2022/23 included supporting better decision making, which was well attended and briefings on the service budgets under the remit of each service committee. However, the focus for the year was on preparing an induction programme for members elected at the local elections in May 2023.
- 5.19. A comprehensive programme of induction events has been running from May 2023, which will continue throughout the remainder of 2023/24. In addition to a welcome event hosted by the Chief Executive, sessions on the Code of Conduct, working effectively as a Cheshire East Councillor and committee procedures have already taken place. This will help to support better decision making, and the service budget briefings referred to in paragraph 5.19 will also form part of the programme.
- 5.20. To promote the importance of members' foundations skills i.e., Safeguarding Children and Adults, Equality, Diversity and Inclusion and General Data Protection Regulations (GDPR), a mandatory online induction programme has been created for all Members.
- 5.21. The statutory roles of the Head of Paid Service, Monitoring Officer and Chief Finance Officer are described in the Constitution, as are their responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.
- 5.22. Interim arrangements are in place to cover the Executive Director - Corporate Services and the Executive Director - Place.
- 5.23. The Council publishes a Pay Policy Statement by 31 March on an annual basis. This provides transparency about the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The 2022/23 Pay Policy Statement was recommended to Council from the Corporate Policy Committee. The Policy was approved on 24 February 2022 where it was also agreed that it would be reviewed in-year and any further changes be approved by the Monitoring Officer and published accordingly. The 2023/24 Pay

Policy Statement was put to the Corporate Policy Committee on 9 February 2023 and approved by Council on 22 February 2023.

- 5.24. The Workforce Strategy 2021-25 sets out how the Council will develop the capacity and capability of its workforce to support the priorities identified within the Corporate Plan and deliver the MTFS. The Corporate Policy Committee received update reports on progress against the Strategy on 9 June 2022, 1 December 2022 and October 2023.
- 5.25. All staff are required to undertake mandatory training on protecting and managing information, dignity at work and equality in the workplace. Completion and compliance are monitored and reported to Heads of Service and Directors. Managers are also supported with training on the Council's Dignity at Work and Grievance procedures.

Managing risks and performance through robust internal control and strong public financial management

- 5.26. An updated Risk Management Framework was taken to the Audit and Governance Committee on 12 March 2020 and approved by Cabinet in June 2020. The Council's approach to risk management was reviewed and refreshed during 2020/21. The Audit & Governance Committee received the 2021/22 Annual Risk Management Report on 26 May 2022. This Committee also received regular updates during 2022/23 and the 2022/23 Annual Risk Management Report was received at the 27 July 2023 meeting. The current Risk Management Framework 2020-2022 is being updated to reflect the needs of risk management and risk reporting in the context of the committee system.
- 5.27. During 2022/23, the Corporate Policy Committee received quarterly updates on the Council's Strategic Risk Register, alongside reports on the financial position of the organisation, and the performance management. The co-ordinated delivery of these updates supports a cohesive commentary to the Committee. The risk update reports also include the identification of emerging risks and horizon scanning across global and local risk updates to provide useful context and background to the Council's register.
- 5.28. Operational risk registers are included in the directorate and service business plans. These are reviewed by the team plan owners, and risks are considered for escalation to the Strategic Risk Register as necessary.
- 5.29. Reports to all decision-making committees are produced in line with a reporting protocol which involves clearance of reports through the relevant directorate management team, legal and financial review and the identification and mitigation of risks associated with the report content.
- 5.30. Since the move to the committee system on 4 May 2021, the Overview and Scrutiny Committees were decommissioned. Scrutiny powers under Section 21

of the Local Government Act 2000 are now fulfilled through the Children and Families, Adults and Health, Environment and Communities and Corporate Policy Committee

- 5.31. Each of the service committees scrutinised quarterly performance scorecards and budget proposals for the 2022/23 period relevant to their area of focus.
- 5.32. The Information Governance Group (IGG) met regularly throughout 2022/23, managing a programme of proactive improvement and ongoing compliance with the requirements of the Data Protection Act 2018. The Group also managed responses to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), and the Corporate Leadership Team.
- 5.33. The Brighter Futures Commercial Board continued to meet during 2021 and up until April 2022 when it was agreed that the Board had achieved its objectives.
- 5.34. The Contract Management System is being rolled out to services on a phased basis and went live in September 2021 for Procurement, ICT and the People's Directorate. There are currently 130 live users in the system who have received training. This will continue during 2023 along with a dashboard being created and reported to DMT's. Procurement reports are regularly provided to the Finance Sub-Committee which include pipeline, contracts, waivers, and relevant procurement updates.
- 5.35. Commissioning, procurement, and contract management training is currently being refreshed to include the basic contract management, roles and responsibilities of contract managers and contract management system training. New processes and procedure are live on the CEntranet and new eLearning packages are available in the learning lounge.
- 5.36. The Audit and Governance Committee plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 5.37. During 2022/23, the Audit and Governance Committee received or approved a broad range of reports and assurances, including:
 - Approval of the Internal Audit Plan and subsequent progress reports, the Committee's Annual Report and the External Audit Plan and progress reports
 - The Annual Risk Management Report and updates on Risk Management
 - Regular updates and the Annual Report of the Council's COVID-19 Response and Recovery

- Maladministration Decision Notices from Local Government and Social Care Ombudsman which are reported to the Committee, alongside the details of the learning from the issue and actions undertaken by each service in response.
- Assurance around procurement controls including overseeing governance arrangements and reviewing all approved Waivers and Records of Non-Adherences. The WARN process forms part of the Contract Procedure Rules (CPR's) which are intended to promote good Procurement and Commissioning practice, transparency, and clear public accountability. Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered in part two of the meeting.
- Member Code of Conduct Sub-Committee Report summarising the recent Member Code of Conduct complaints and associated investigations involving elected members of a Parish Council
- A summary of the key findings identified during the External Auditors certification process – Certification of Claims and Returns 2020/21
- Information Governance Reports
- The Annual Monitoring Officer Report

- 5.38. At the September 2022 meeting of the Committee, concerns were raised in relation to the governance of an Urgent Item that had been considered by the Children and Families Committee on 23 September 2022 in respect of an All-Age Carers Hub. The Committee agreed to add an item to the Action Log for the Director of Governance and Compliance to feedback a detailed briefing note to the Committee to provide assurance that the issues had been addressed.
- 5.39. The *Audit Committees – Practical Guidance for Local Authorities and Police* was released by CIPFA in September 2022. Furthermore, CIPFA were engaged to undertake an independent review of the effectiveness of the Audit and Governance Committee during 2022/23. The Committee received a progress report on 9 March 2023 and attended a workshop in April 2023 to receive the CIPFA report findings and to propose actions back to the Committee. The CIPFA review findings report, and proposed action plan was subsequently taken to the Audit and Governance Committee on 8 June 2023. An update on progress against the action plan was reported to the Committee on 7 December 2023.
- 5.40. The Audit and Governance Committee Annual Report for 2021/22 was presented to the 29 September 2022 meeting. The 2022/23 Audit and Governance Committee Annual Report was presented to the Committee on 28 September 2023.

- 5.41. The final 2021/22 Annual Governance Statement was put to the Committee on 9 March 2023 where it was agreed to delegate authority to the Chief Executive and Leader of the Council to sign off the AGS following the conclusion of the External Auditor's work.
- 5.42. The External Auditors completed their work in November 2023 and the 2021/22 Annual Governance Statement was signed off by the Interim Chief Executive and Leader and published on the Council's website.

Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.43. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2022/23 which was received by the Audit and Governance Committee on 27 July 2023 and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2022/23

- 5.44. In forming its opinion, Internal Audit considered issues arising from the several areas of audit activity during the year. A developing theme across audit findings has been one of resource pressures impacting upon the ability of services to properly apply established controls within areas of operation. This issue is highlighted in areas of the Strategic Risk Register and has been included as an emerging issue in this Statement.
- 5.45. It is also important to reference the Report in the Public Interest that was issued to the Council by the former External Auditors in January 2023. The actions arising from the Report have now been completed and the External Auditor has released the outstanding audit certificates for 2015/16, 2016/17 and 2017/18.
- 5.46. Despite the challenges highlighted above, Internal Audit are satisfied that there has been appropriate engagement for Internal Audit across the organisation, through assurance work, consultancy and advice, and the understanding of the assurance taken from other sources to assess the framework of risk management, control, and governance as Adequate for 2022/23.
- 5.47. As referenced elsewhere within the statement, there was an ongoing national issue in relation to the valuation of infrastructure assets that prevented the external auditors from completing their 2020/21 and 2021/22 audits. This resulted in a pause in the sign off on the external audit report and opinion. Assurance was provided by the external auditors to the Audit & Governance Committee that this was a national matter and that the risk to Cheshire East Council was minimal and not expected to have a material impact upon service delivery. The solution to the

issue was issued to the Council on 25 December 2022 and the external auditors completed their work and issued the outstanding completion reports in November 2023.

- 5.48. Following completion of all police investigations into the Council and consideration by the Crown Prosecution Service, the former external auditors, Grant Thornton, completed their work in relation to the outstanding audit certificates under the Local Audit and Accountability Act 2014. This work commenced during 2021/22 and was supported by Internal Audit and the Council as a whole.
- 5.49. Having concluded their work, Grant Thornton published a report in the public interest on 17 January 2023 which was considered by Council on 1 February 2023. The external auditor's report made three recommendations to Council which were all accepted. These are set out below.

R1 The Council should carefully consider this report to ensure all members now understand the events and conditions that led to the issues set out in this report. This consideration could usefully reflect upon: what happened; the governance and cultural arrangements that allowed it to happen; the critical success factors that led to the successful resolution of matters; and the key elements of the Council's current arrangements that can reassure members of the Council's ability to protect itself from such threats to its future governance.

R2 The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report.

R3 The Council should discuss with its current external auditors whether there are any matters arising from this report that should be addressed by the current auditors' statutory external audit.

- 5.50. Council considered the report on 1 February 2023 and agreed that Audit and Governance Committee would receive a further Internal Audit report to conclude the recommendation at R2.

The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6 of the public interest report), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report.

- 5.51. The report in the Public Interest was also discussed at the Audit & Governance Committee on 9 March 2023. During which, recommendation 3 was addressed with the current External Auditors who agreed to consider the work undertaken by Grant Thornton and would collectively seek to close this area of audit work.

- 5.52. The production of this report required further assurance work to be undertaken by Internal Audit in relation to land transactions (acquisitions and disposals). This followed the initial work carried out in the 2017/18 plan, which resulted in referrals to Cheshire Police being made in March 2018 and the qualification of the 2017/18 Value for Money opinion. The final assurance report was put to the Audit and Governance Committee on 8 June 2023 and provided a satisfactory assurance opinion.
- 5.53. The Public Interest Report and the action required by the Council in respect of the three recommendations was included as a Significant Governance Issue in the 2021/22 Statement. As all three recommendations have now been completed, Audit and Governance Committee approved the removal of this Significant Governance Issue at its meeting in July 2023.
- 5.54. Counter Fraud activity is reported to the Audit and Governance Committee through the regular Internal Audit progress reports. The latest update was provided to the December 2023 meeting.
- 5.55. The Council has a number of wholly owned companies. Several changes were made following an independent review of these Alternative Service Delivery Vehicles (ASDVs).
- 5.56. The following ASDVs were in operation during 2022/23:
- Orbitas Bereavement Services Limited
 - ANSA
 - Transport Service Solutions Limited (TSS Ltd)
 - Tatton Park Enterprises Limited
- 5.57. In February 2021, Cabinet approved that the contract between the Council and Orbitas Bereavement Services be modified by extending it by a period of one year, to March 2022.
- 5.58. In May 2022, the Finance Sub-Committee approved the recommendation of the Shareholder Working Group for “the inclusion of the Bereavement Services Contract on the Procurement Pipeline Report for a period of 5 years, with an extension for a further 3 years, at a value determined by the Commissioner for Bereavement Services in line with the current MTFS”. The Council entered into a new contract for the provision of bereavement services with Orbitas Bereavement Services on 31 March 2022 for a period of 5 years with the option to extend for a further 3 years.
- 5.59. In May 2021, Cabinet approved the recommendations that the strategic, planning, commissioning, and procurement functions of TSS Ltd were to be transferred and delivered directly by the Council, with the operational delivery functions of the

company to be delivered by ANSA. The new arrangements came into force on 1 April 2022.

- 5.60. Following the move to the Committee System in May 2021, the responsibilities of the ASDV Shareholder Committee were transferred to the Finance Sub-Committee. In September 2021, a Shareholder Working Group was appointed to review and provide advice on the strategic business cases and current governance arrangements for each wholly owned company (WOC). The Sub-Committee received and considered the report of the Working Group at the 5 January 2022 meeting. The Sub-Committee also considered the Wholly Owned Companies Matters report at the meeting held on 1 June 2022 and received a verbal update on 6 July 2022. At the 7 September 2022 meeting, the Sub-Committee considered the Commencement ASDV Governance Review report.
- 5.61. Everybody Health and Leisure (Everybody) is an independent charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. Everybody deliver services for the Council as set out in the operating contract, which is monitored through client commissioning arrangements, including contract management meetings and monitoring visits. The current operating agreement between the Council and Everybody runs to 30 April 2029. Prior to 1 May 2022, Everybody was known as Everybody Sports and Recreation (ESAR).
- 5.62. Everybody's annual performance report for 2022/23 was reported to the commissioning manager and shared with members of the Environment and Communities Committee in January 2023.
- 5.63. The Shared Services Joint Committee oversees the management of the services provided on behalf of Cheshire East and Cheshire West and Chester Councils, to ensure effective delivery of services and strategic direction. Regular reports on performance and progress have been received during the year by the Committee on all 8 shared services including ICT Services, the Transactional Service Centre. They have also overseen the review of the shared services.
- 5.64. The Shared Services Joint Committee has also received regular progress reports on the shared programme with Cheshire West and Chester Council to replace the existing Finance and HR Systems throughout 2022/23. The Finance element of the Unit4 ERP solution was successfully launched to users on 8 February 2021, the HR and Payroll element of Unit 4 ERP launched in November 2021 with the December 2021 payroll being successfully run in the new system.
- 5.65. The progress reports to the Shared Services Joint Committee included the following:
 - Update on developments following go live of the HR and payroll elements.

- Update on a post go-live transition plan and technical close of the programme.
 - Proposals for a Member-led Lessons Learned review of the programme.
- 5.66. In June 2022, the Shared Services Joint Committee received a further update on the implementation of the Unit 4 ERP System. This report provided an update on each of the three elements detailed above, including that the terms of reference for the lessons learned review were expected to be agreed by August 2022 and an externally facilitated task group was being established to undertake the review. The Best4Business Future Lessons – Outcome Report was presented to the Shared Services Joint Committee on 23 September 2022.
- 5.67. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council.
- 5.68. The Accounts and Audit Regulations (2015) legislation prescribes the format and timescale of the production of the Annual Governance Statement and the Statement of Accounts for local authorities.
- 5.69. In recognition of the ongoing impact of Covid-19, the Accounts and Audit (Amendment) Regulations 2021 amended the timescales of the publication of the draft statement from the 31 August to not later than the 30 September 2022, the publication of the final statements remains the 30 November. Following discussion and agreement with the external auditors and taking into account the impact of the pandemic and implementation of the new financial system, it was determined that the Council would operate to these extended deadlines.
- 5.70. However, due to a national issue regarding accounting for infrastructure assets, it was not possible for the External Auditors to complete and conclude the audit to allow for publication of the final statements by the 30 November 2022. The solution to the issue was issued to the Council on 25 December 2022 and the external auditors subsequently reviewed the Council's response prior to completing their audit.
- 5.71. The Audit and Governance Committee therefore considered the draft 2021/22 statement at the 29 September 2022 meeting. The Committee reviewed the final statement at the meeting held on 9 March 2023 where it was agreed that delegated authority would be granted to the Chief Executive and Leader of Council to sign the Statement following the conclusion of the work of the External Auditors. The final Statement for 2021/22 was subsequently signed off and published in November 2023.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- 5.72. The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining, and monitoring a Code of Conduct for Members of the Council. Complaints are considered by the Monitoring Officer and an Independent Person. Complaints can be received about Cheshire East Councillors, co-opted members and Town and Parish Councillors.
- 5.73. The promotion of high standards of conduct, and of strong ethical governance among elected members, co-opted Members, and Town and Parish Council Members within the Borough, is critical to the corporate governance of the authority and to the Council's decision-making process across the organisation.
- 5.74. In September 2021, the Audit and Governance Committee received the Annual Report of the Monitoring Officer 2020/21, which provided background and an overview on the Monitoring Officer's statutory duties. The report also advised on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed. The Committee also received the 2021/22 Monitoring Officer Report in September 2022 and the 2022/23 Report in September 2023.
- 5.75. The Audit and Governance Committee agreed that a review of the Member Code of Conduct would be added to the Committee's Work Plan for 2020/21 and that it should be linked to the Local Government Association publication of a revised Model Code of Conduct which was published for consultation in July 2020. The Local Government Association published its Model Councillor Code of Conduct in May 2021, and the supporting guidance was published in July 2021. A Councillor Code of Conduct Working Group was established to consider the Model Code and propose a revised Code of Conduct for Cheshire East Council. The review remained on the Committee's work plan for 2021/22, and the draft Code was received by the Committee on 28 July 2022, which was subsequently recommended to and adopted to Council on 19 October 2022.
- 5.76. At the meeting of the Audit & Governance Committee held on 10 March 2022, the Committee received a report summarising recent Member Code of Conduct complaints and associated investigations involving elected members of Handforth Parish Council. Consequential amendments to the Code of Conduct resulting from this report were considered by the Councillor Code of Conduct Working Group.
- 5.77. Section 151 responsibilities for 2022/23 were covered by the Director of Finance and Customer Services. These arrangements complied with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.78. The Monitoring Officer responsibilities were covered by the Director of Governance and Compliance Services.

- 5.79. Prior to the adoption of the committee system in May 2021, the Staffing Committee received updates on the Brighter Future Together (Culture) Programme. This is the transformation programme established to deliver changes in the organisational culture of the Council following the review undertaken by the Local Government Association (LGA). The LGA's report was received in January 2018 and is available on the Council's website. Following the move to the committee system the Corporate Policy Committee assumed the responsibilities of the Staffing Committee and received an update on the Organisational Culture Change Programme in July 2021. The Committee also approved the Workforce Strategy in November 2021 and received updates on progress in June and December 2022 and also in November 2023.

Ensuring openness and comprehensive stakeholder engagement

- 5.80. The Council's open data portal 'Insight Cheshire East' holds the majority of our transparency information and open data together in one place. The site is designed to make inspecting, accessing, and downloading our data easier for everyone, including developers, who may wish to use our data in their own applications or websites. Work is continuing to expand the content on the site, with emphasis on areas that residents most frequently request information about.
- 5.81. As required by the Transparency Code 2015, the Council published the current number of Council employees with basic salaries of £50,000 or over on the Open Data Cheshire East Portal.
- 5.82. Committee meetings continued to be audio cast throughout 2022/23. Recordings can be found on the relevant Committee pages. Meetings are held in public, and agendas, reports, and minutes are published via the Council's website.
- 5.83. The Council publishes delegated officer decisions on its website, demonstrating how the provisions of the Constitution have been exercised.
- 5.84. Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as appropriate, including statutory consultation processes for areas such as Planning and Licensing. Information is available on the Council's website in relation to current consultations and the feedback received on previous consultations and the subsequent decisions are also available.
- 5.85. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. In response to the lockdown restrictions relating to the COVID-19 pandemic, steps were taken to ensure that staff and managers were supported during what was a time of significant change in working arrangements.

- 5.86. Weekly Manager Share and Support sessions were provided throughout 2021/22 and have continued through 2022/23. These sessions cover a wide variety of topics and provide an opportunity for managers to interact, raise any issues and concerns that they may have, and receive briefings and training on new developments such as the effective use of Teams.
- 5.87. In addition to the sessions detailed above, weekly TLC – Time to Listen and Chat sessions have also been provided. The purpose of these sessions is to keep people connected and support wellbeing in work. These 30-minute calls offer an opportunity to take a break from the pressures of work to meet with colleagues from across the organisation for an informal chat.
- 5.88. Wider Leadership Team and Wider Leadership Community sessions were held during the year which facilitated briefing, networking, and development opportunities across the senior officer leadership cohort. Key messages from these sessions are cascaded through department and team management sessions.
- 5.89. Since 2020, the Chief Executive has provided regular video updates to staff via a Vlog. The videos and transcripts are available on the CEntranet. Furthermore, during 2022/23 “Coffee with Lorraine” sessions with the Chief Executive were introduced. These monthly sessions are open to all staff to hear the latest updates from the Council and be able speak openly with the Chief Executive and ask questions.
- 5.90. Members of staff are encouraged to participate in the “Making a Difference” recognition scheme, nominating colleagues for an instant recognition “Made my Day” message, or for nomination in the annual awards which was held in January 2023 after the disruption of the last couple of years. The recognition panel itself includes volunteers from across the organisation.
- 5.91. The Council’s Corporate Leadership Team has continued to meet virtually with staff groups from across the organisation and offer an opportunity for staff to raise any questions or issues they have directly with their Senior Managers.
- 5.92. Council services use various forms of social media, to engage and inform communities and stakeholders. The main Council website has a Media Hub page, where a variety of information about the Council is published. The Communications team also provide related media releases, where appropriate. Statutory public notices are also shared online.

6. Review of Effectiveness

- 6.1. The Council undertakes an annual review of its governance arrangements. This process is informed by a range of sources. The various sources of assurance

which inform the annual review are described below and referenced in the Governance Framework in Appendix 2.

6.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:

- **Line Management** - Assurance on individual line managers' areas of responsibility are provided by Disclosure Statements and informed by the acceptance and implementation of recommendations from internal and external audit.
- **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive improvement, and how relevant risk management information is escalated up or cascaded down through the Council.
- **Internal Review** - The performance of Internal Audit and the Audit and Governance Committee, along with their assessments of the performance of individual service areas, and cross function service areas informs the preparation of the Statement.
- **External Review** - The findings and feedback from external inspectorates and peer reviews of the Council also provide assurance which is considered in preparing the Statement.
- **Reference and review of existing reports and assessments**

6.3. For the purposes of the Annual Governance Statement "significant" is defined as an issue which has had or has the potential to have a noticeable impact on the Service's and/or Council's ability to achieve its objectives.

6.4. Examples might include:

- Legal action against the Council for failing to fulfil a statutory duty (resulting in a substantial financial penalty and/or loss of reputation)
- An instance of fraud or corruption involving financial loss, a noticeable impact on service delivery and/or loss of reputation
- An unexpected occurrence resulting in substantial financial loss, disruption to service delivery and/or loss of reputation (including significant media coverage/interest)
- Failure of a major project to meet stated objectives; or
- A serious breach of the Code of Conduct having a noticeable effect on service delivery and/or reputation

- 6.5. Section 7 sets out the progress made against the issues identified in previous Annual Governance Statements, which have been monitored throughout 2022/23.
- 6.6. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon to the Audit and Governance Committee, through previous Annual Governance Statements, and through regular update reports.
- 6.7. The following previously included significant issue has now been addressed and subsequently removed as agreed at Audit and Governance Committee on 27 July 2023:
- Response to the Public Interest Report
- 6.8. It is proposed that the significant issue relating to the Cheshire East Safeguarding Children's Partnership is removed from future statements. In June 2023, the Department for Education confirmed that systems and processes are now in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.
- 6.9. The following issues are included again as continuing areas of concern for 2022/23 in the updates in Section 7. This recognises the continuing significance of these specific areas, at national and local levels:
- Council Funding
 - Health and Social Care Integration
 - Planning
 - ASDV Governance
 - Cheshire East Safeguarding Children's Partnership
- 6.10. The Council's assessment of its governance arrangements has identified an additional significant issue arising during 2022/23 relating to Executive and Wider Leadership Team capacity.
- 6.11. The review has considered the effectiveness of the Council's governance arrangements against the principles set out in the Code of Corporate Governance.
- 6.12. **Overall, we can confirm that the Council has appropriate systems and processes in place to ensure effective governance is maintained. Whilst we are satisfied that these generally work well, our Annual Governance review has identified areas where further improvements are underway (Section 7).**

7. Progress against ongoing issues identified in previous Annual Governance Statements

Council Funding <i>Recognised as a Continuing Governance Issue since 2015/16 but revised and restated in 2021/22</i>	
Description of issue at the time of inclusion in AGS	<p>The uncertainty of demand for services, particularly during the pandemic, makes forecasting the adequacy of funding requirements more challenging. This was exaggerated through uncertainty of the potential yield from many of the Council's largest funding sources. For example, Council Tax and Business Rate collections and taxbase calculations were impacted by the pandemic and by government intervention. DSG is impacted by academisation and shortfalls in High Needs funding. Grants are subject to ongoing review and therefore often presented as single year allocations.</p> <p>Without certainty the Council can sometimes be required to make short term decisions which could prove inefficient as well as disruptive.</p> <p>Council received and approved a balanced 4-year MTFS 2022 to 2026 in February 2022. This followed consideration at each service Committee and was recommended to Council by the Corporate Policy Committee. This includes the Budget and Council Tax levels for the 2022/23 financial year.</p> <p>Council further received a balanced 4-year MTFS 2023 to 2027 in February 2023. The consultation process to support this budget received more responses than any previous consultation which was an indication of the process and content of the proposals. Decisions were required to alter several services and introduce new charges to support material growth, particularly in Adult Social Care.</p> <p>The Local Government Finance Settlement published in 2021 was presented as a Three Year Settlement, but the local allocation of total funding was only certain for 2022/23. The MTFS aimed to minimise the medium-term risk of reduced funding by assuming lower allocations in later years in line with statements from Ministers.</p> <p>Due to material growth and in-year over-spending the final settlement in 2022 introduced new grants, increased Council Tax referendum levels and delayed Adult Social Care reform. The impact of this caused delays to the MTFS process.</p> <p>Whilst funding from Council Tax and Business Rates has stabilised to a degree there is still uncertainty over any structural changes to these income sources. Material funding issues remain within the</p>

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	<p>High Needs funding block in the DSG, and Cheshire East Council took part in the Delivering Better Value Scheme, although it is clear this will not resolve the material deficits in this area.</p> <p>The legacy impact of the pandemic and other global events continues to cause forecasting issues with the demand for services and the levels of inflation and interest rates.</p>
Responsibility	Director of Finance & Customer Services
Action proposed at the time of inclusion in the AGS	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</p> <p>Finance staff and senior leaders are engaging with government officials and professional bodies (such as CCN, CIPFA, LGA, SCT, RSN and UTS), in the review of local government finance.</p> <p>Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being considered.</p> <p>Funding estimates are transparent and reported to the Finance Sub-Committee. Working Groups from the Sub-Committee have also reviewed estimates in detail. This includes estimates within all financial strategies that make up the over-arching Medium Term Financial Strategy.</p> <p>The Council's increasing level of collaboration and integration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review.</p>
Progress update for 2022/23 AGS	<p>Outturn for 2022/23 showed that expenditure exceeded income levels, by £6m, a level broadly anticipated in the Council's in-year reporting and reflected in the latest MTFS approved in February 2023. Whilst balancing the position did require utilisation of £5.2m from the MTFS Reserve, the required transfer from the General Fund Balance was £0.8m, being some £1.7m less than planned for.</p> <p>This was a helpful position, but the risks to financial management, from exceptional inflation and rising demand for services; and levels of funding from or enabled by Government remain. It is worth noting that achieving that outturn position did require significant mitigating measures in-year, including some use of other 'one-off' reserves and actions.</p> <p>The budget for 2023/24 and MTFS 2023/24-2026/27 was approved by Council in February 2023, based on the final settlement. It is still considered that grant allocations and 'flexibilities' afforded by government fall significantly short of the estimates of spending required (largely due to pay and cost inflation, and effects on demand for services), and long-term</p>

	<p>solutions continue to be needed, particularly in respect of social care (including the relationship with health services) and the funding of high needs children's services.</p> <p>During the current financial year, 2023/24, these matters have now been reflected in a freshly defined strategic risk: SR06 - Failure to achieve the MTFS.</p> <p>In-year forecasting for the current 2023/24 year has shown that, as indicated above, the effects of inflation on increasing pay and supplies costs, the growing demand for and complexity of service provision, and the impacts of high interest rates on costs of borrowing, are continuing to place significant financial pressures on the Council.</p> <p>The Second Financial Review (reported to Finance Sub-Committee on 2 November 2023, and all other Service committees in the November cycle of meetings) showed a financial pressure of £18.7m (5.3% of the current net revenue budget of £353.1m).</p> <p>In October 2023, the Cheshire East Budget Response Team (CEBERT) was set up to lead on coordinating a wide range of mitigating actions across the organisation. Weekly meetings are chaired by the Chief Executive, with updates relating to several workstreams, each focussed on particular spending control measures.</p> <p>Local authorities, including Cheshire East Council, are liaising with Government departments over the severity of so many emerging financial issues affecting our sector; the Council is engaging either directly with Government departments, or through professional or political networks. The focus of the lobbying for Cheshire East Council is on the following important local issues:</p> <ul style="list-style-type: none"> • The High Needs/ Special Educational Needs deficit, with the Council having now begun conversations on entry to the DfE's Safety Valve Scheme • Capital Funding and HS2, including seeking compensation for abortive costs, and developing wider plans to provide additional funding for infrastructure projects in the North of England, following the announcements about HS2 • Children's Services (see below) • Local Government Settlement <p>Analysis of the in-year forecasts for 2023/24 and reflecting on the outturn performance against the 2022/23 budget, indicates that the most significant prevailing financial pressure is within Services that are the responsibility of the Children and Families Committee. This position is in-line with top tier Local Authorities across England where similar issues are being experienced.</p>
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	<p>The immediate short-term risk to the Council's financial resilience must lead to a focus on budget setting for the 2024/25 budget only. Assuming no material change in central funding, a report to Finance Sub-Committee on 2 November 2023 proposed an initial reallocation of resources, responding to pressures in the Children and Families services, increasing the revenue budget for the committee by £7m compared to the MTFS presented to Council in February 2023. This transfer of resources results in a savings requirement in other Committee budgets to maintain the balanced budget requirement.</p> <p>The MTFS on budget setting for 2024/25 was considered at Corporate Policy Committee on 13 February 2024. Regarding the projected outturn for 2023/24, it reiterated the forecast deficit of £13m reported in the Third Financial Review, as reported to committees in the January cycle of meetings.</p> <p>It also reported the potential for the need to write-off to revenue the capital expenditure of £8.6m relating to HS2; this would be necessary if the support from Government requested (either compensation by way of grant, or capitalisation direction) is not forthcoming.</p> <p>In addition to the significant use of reserves needed to balance off the 2023/24 revenue account, the report also highlighted 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 several challenging change/ savings items.</p> <p>This would mean further use of reserves and – even subject to successful achievement of those plans – that the General Fund balance on 31 March 2025 would be just £2.1m, and a ring-fenced earmarked reserve of only £1.7m would exist at that point.</p> <p>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 (which will require the appointment of a transformation partner) that needs to take place during 2024/25 to address the financial crisis the Council is facing.</p> <p>Corporate Policy Committee on 13 February 2024 also considered a report on exceptional financial support, which included recommendations that:</p>
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	<ul style="list-style-type: none"> • The Chief Executive shall continue to seek resolution of financial issues related to the abortive costs of HS2 and the financial deficit in High Needs education budgets • The Chief Executive finalise and submit a request for exceptional financial support in the form of an in-principle capitalisation direction for 2023/24 and 2024/25 to the Secretary of State for Levelling Up for up to £17.6m <p>The latter relates to £8.6m in respect of HS2 (as referred to above), and £9m relating to interest costs on the DSG deficit (£3m in 2023/24; £6m in 2024/25). The impact of Government approving the application for capitalisation direction would be to support revenue reserves levels, and thereby alleviate some financial stress, whilst the Council undertakes a programme of organisational transformation in 2024/25.</p>
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Health and Social Care Integration <i>Recognised as a Continuing Governance Issue since 2015/16 but revised and restated in 2021/22</i>	
Description of issue at the time of inclusion in AGS	<p>Since the 1 July 2022, integrated care systems have been formalised as statutory bodies following changes brought about by the 2022 Health and Care Act and has meant the abolishment of the Clinical Commissioning groups.</p> <p>Cheshire East Council sits within the Cheshire & Merseyside ICS footprint, which comprises of 9 Local Authority Areas.</p> <p>The central aim of ICS's is to integrate care across different organisations and settings, joining up hospital and community-based services, physical and mental health, and health and care.</p> <p>The key challenges and risks that this presents are as follows:</p> <ul style="list-style-type: none"> • That the ICS is not a partnership of equals across the broader health, wellbeing and social care system • Risk that central control remains at central level and decision making and delegations are not devolved to place • National versus local tensions • Budget deficits
Responsibility	Executive Director of Adults, Health and Integration
Action proposed at the time of inclusion in the AGS	<p>Ensuring representation at a Cheshire and Merseyside level.</p> <p>All Integrated Care Systems (ICS) are made up of two constituent elements, the Integrated Care Partnership (ICP) and the Integrated Care Board (ICB). For Cheshire and Mersey Integrated Care System (C&MICS):</p> <ul style="list-style-type: none"> • The Leader of the Council represents Cheshire East Council on the Integrated Care Partnership, which in Cheshire and Mersey is called the Health and Care Partnership

	<ul style="list-style-type: none"> • The C&M ICB constitution makes provision for two local authority chief executives to be members of the Board, one from Cheshire and Warrington and one from the Mersey City Region, to represent the views of local authorities. The role will rotate between local authorities on a 3 year cycle. There is also a Director of Public Health on the board <p>Collaboration with the ICB local representative, Mark Wilkinson - Place Director.</p> <p>In Cheshire East, the Place Director has dotted line accountability to the Chief Executive and routinely attends the Corporate Leadership Team. In addition, joint management arrangements across the local ICB team and the Adults Health and Integration Department are progressing.</p> <p>The Place Director is a permanent and full member of the Cheshire East Health and Wellbeing Board.</p> <p>Ensuring local priorities are understood and communicated.</p> <p>Partners are currently refreshing the Cheshire East Health and Wellbeing Strategy to ensure that aims and ambitions are relevant post-pandemic, and joint outcomes, a joint implementation plan and a shared performance management framework are in development.</p> <p>A shared approach to communicating with residents has yet to be developed.</p>
<p>Progress update for 2022/23 AGS</p>	<p>The governance arrangements set out above have been enacted and are functioning well locally. The joint outcomes framework, strategy implementation plan and performance framework are progressing well and have been developed in co-production with partners.</p> <p>The Cheshire East partnership is flourishing and a recent review of hospital discharge arrangements, carried out in Cheshire and Merseyside by the national discharge team, has commented on the strength of Cheshire East leadership and partnership arrangements.</p> <p>However, concerns about the centralisation of decision making at a regional level remain. Late engagement with local authority partners in areas of legitimate interest to local authorities is common practice.</p> <p>A number of specific interventions have been made, including a letter from the Leader setting out the Council's concerns.</p> <p>We will continue to use the formal governance arrangements available to scrutinise the ICS whilst continuing to strengthen local partnership arrangements to deliver local priorities.</p>

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	Council approved the Health and Care Partnership Terms of Reference on 18th October 2023.
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<u>ASDV Governance</u>	
Description of issue at the time of inclusion in AGS	<p>The governance of wholly owned companies across the local government sector has come under the spotlight following failures which have resulted in the publication of Public Interest Reports.</p> <p>Those reports highlighted that failings in the governance of those companies resulted in “institutional blindness” and a failure to recognise, understand, and so address commercial pressures and conflicts of interest. These governance failings resulted in high profile financial losses and reputational damage to those Councils and in some cases external intervention.</p> <p>In the light of these high-profile company failures, CIPFA have recently published guidance aimed at mitigating the risk to local authorities of company ownership. Whilst framed as guidance, its status is such that it will affect reporting and external assessment of the Council. There is therefore merit in being pro-active and taking action in response to these highlighted risks.</p> <p>A comparison of the Council’s current governance arrangements against the CIPFA guidance has highlighted risks in the current company structures, and with the levels of transparency and assurance. Improvement in the reporting and assurance can be achieved which will mitigate these risks and bring Cheshire East’s arrangements in line with best practice.</p>
Responsibility	Director of Governance and Compliance
Action proposed at the time of inclusion in the AGS	<p>Work has been undertaken to identify proposed changes to the current ASDV governance and reporting arrangements to ensure that they broadly align with the good practice as described in the CIPFA guidance.</p> <p>This has also proposed that a full review of the overall company structures and governance arrangements is undertaken and that a reporting structure is implemented to strengthen insight into the operation of the Council’s ASDVs.</p> <p>The review is proposed to include a review of directors, the process for their appointment, and the training and support provided to them.</p> <p>A working group has been established and stage 1 of the review was completed in December 2022.</p>
Progress update for 2022/23 AGS	Work has continued following the commencement of the ASDV governance review, as considered by the Finance Sub Committee in September 2022. The outcome of the review was brought back to the Sub Committee in September 2023 when the following

	<p>amendments to structure of the companies were approved to strengthen governance:</p> <ul style="list-style-type: none"> • From 18 October 2023, the Board of Directors of each of the wholly owned companies will be comprised as follows: <ul style="list-style-type: none"> ○ Two elected Members will be appointed by the Finance Sub-Committee following an open expression of interest and a transparent process; and ○ Two Council Officers, being 1x Finance Officer (on the recommendation of the Chief Finance Officer) and 1x Service specific officer (on the recommendation of the Chief Executive) ○ The Managing Director of the wholly-owned company; and ○ At least one Director who may be appointed through external advert, being an independent sector specialist appointed for their expertise by the Finance Sub-Committee, supported by the Council's HR service ○ An Observer will continue to be appointed to attend meetings of the Board of each company as the Shareholder representative by the Finance Sub-Committee from amongst its membership • All current and future Director appointments will be subject to a Shareholder approved service contract, and all Directors will be required to enter into this contract as part of their new or continuing appointment • Amended shareholder agreements were adopted from 18 October 2023 which take into account the above changes <p>Cheshire East Resident First (CERF) no longer forms part of the governance structure of any Council wholly-owned companies and any shares it holds are being transferred to Cheshire East Council.</p> <p>The Shareholder Working Group is continuing to:</p> <ul style="list-style-type: none"> • Undertake a full detailed review of the Shareholder Agreements against the CIPFA guidance and other good practice • Ensure that the wholly-owned companies support the Council's strategic objectives and decision-making • Ensure that an appropriate and proportionate mechanism for control and review of risk is developed • Consider the purpose of Orbitas Bereavement Services and Tatton Park Enterprises • Consider the creation of a timely mechanism for seeking shareholder permissions between scheduled committee meetings
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	<ul style="list-style-type: none"> • Develop a business planning template to be implemented across the wholly-owned companies <p>The Shareholder Working Group had an initial meeting in October 2023 to begin to exercise oversight on the progress in achieving the outcomes set by Finance Sub Committee and was presented with a workplan for agreement at their meeting in December 2023.</p> <p>The Terms of Reference for the Group have been refreshed.</p> <p>A revised shareholder agreement has been sent to the Ansa Board for approval and adoption.</p> <p>A form of advert for expressions of interest for Directors positions has been drafted for agreement by Finance Sub Committee and Shareholder Working Group members and an interview process (via Panel) proposed.</p> <p>A broader review of company purpose and revision of governance documents has commenced, and the Finance Sub Committee have been briefed on initial observations upon governance and commercial activity.</p> <p>Company risk registers and strategic decisions made by the companies now form part of the reporting and monitoring mechanisms.</p> <p>The Shareholder Working Group are to receive Board approved business plans and Finance Sub Committee approval is being sought for commercial opportunities.</p> <p>Corporate Policy Committee now have sight of companies' risks as a separate category on the strategic risk register.</p> <p>The Council's risk appetite in respect of the companies is 'Low' and Finance Sub Committee have indicated that the companies should maintain a low-risk approach to business activity.</p>
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Planning

Description of issue at the time of inclusion in AGS	<p>In November 21, the Chief Executive and Environment and Communities Committee requested an objective review of the planning application backlog in Planning Services be undertaken.</p> <p>The backlog had accumulated over some time as a result of increasing workloads, vacant posts and impacts on delivering the service from the Covid 19 pandemic. The backlog was significant in number and was attracting complaints about the service from both within and beyond the Council, with potential for reputational</p>
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	<p>damage to both the Local Planning Authority and the Council. An objective Deep Dive review was undertaken, led by the Executive Director of Place.</p> <p>The findings, recommendations and next steps for the service were received and noted by the Environment and Communities Committee on 31 October 22. It was also noted that a range of measures had already been implemented, particularly in relation to reducing the backlog of planning applications.</p>
Responsibility	Executive Director of Place
Action proposed at the time of inclusion in the AGS	<p>The review has produced a detailed Modernisation Plan for the service including a significant number of actions and improvements that have been identified through the review.</p> <p>Workstream leads have been identified and many actions are underway, implemented or partially implemented from the review.</p> <p>Work to remove the applications backlog had advanced in recent months although workloads remain significant in the service.</p> <p>Performance scorecards have been developed to report to the new Modernisation Board - when established this introduces a new level of reporting and governance for the Modernisation Plan. Terms of Reference for the Board are now agreed.</p> <p>Performance reports from the service will continue to be reported to the Environment and Communities Committee with additional regular oversight by CLT also being introduced to monitor progress within the service.</p>
Progress update for 2022/23 AGS	<p>Work continues with the implementation of the recommendations in the Modernisation Plan and significant progress has been made to reduce the backlog of planning applications and a number of other actions.</p> <p>Workloads still remain significantly high across the service – particularly in relation to application caseloads. Work is underway with statutory consultees in other parts of the council (such as greenspace and flood risk) where there are also backlogs which are impacting on planning decision timescales.</p> <p>Teams are working in collaboration to address these challenges and improve performance in these associated areas.</p> <p>The Transformation Board is now established to provide support, guidance and new governance to the service moving forwards.</p> <p>The implementation of new IT system has been delayed and CEC is in legal discussions with the supplier in this regard. This project is absorbing significant resource from the planning service in order to redesign areas of workflow to enable transition to the new</p>

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	<p>system which is now scheduled for November. This is impacting on available resource to deliver service transformation.</p> <p>Work has started on the restructure of the Planning Service who have been diverted from planning applications to the IT project. A complaints pilot has been completed with a reduction in stage 2 complaints being received in the service. The service is approximately 9 months into an anticipated 18 month period of change required to implement the service review findings.</p> <p>The Audit and Governance Committee received a report detailing the key findings from Internal Audit's review of arrangements for the management and monitoring of S106 agreements on the 28 September 2023. At this meeting, it was agreed that the Committee would receive an update on progress in implementing the audit actions in March 2024 and a further update in 12 months' time.</p> <p>In addition to the above, the Committee resolved to write to the Environment and Communities Committee to seek an invitation for the Chair and Vice Chair of the Audit and Governance Committee and the Finance Sub-Committee to attend the first meeting of the Environment and Communities working group to relay the concerns of the Audit and Governance Committee.</p> <p>It was also agreed that an urgent confidential meeting be requested to the Chair and Vice Chair of both the Environment and Communities Committee and Finance Sub-Committee to discuss the findings of the S106 Internal Audit Review and agree oversight arrangements for monitoring the implementation of agreed actions.</p> <p>The S106 Working Group is now set up and has met twice before the 6th February 2024, attended by representatives from Environment & Communities Committee, Audit & Governance Committee and Finance Sub Committee.</p>
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Cheshire East Safeguarding Children's Partnership (CESCP) Governance	
Description of issue at the time of inclusion in AGS	<p>In July 2022, a joint targeted area inspection (JTAI) of the CESCP was undertaken. The inspection identified strategic weaknesses in the leadership, function, purpose and impact of the work of the local safeguarding children's partnership and its sub-groups and recommended that across the partnership, leaders should ensure that operational practice reduces risk of exploitation of children.</p> <p>An Internal Audit review that was underway at the time of the unannounced inspection also identified weaknesses in the governance arrangements for the Partnership.</p>
Responsibility	Executive Director of Children's Services

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<p>Action proposed at the time of inclusion in the AGS</p>	<p>Cheshire East Council as the principal authority for the Partnership was required to provide a multi-agency written statement of proposed action by 5 January 2023. This improvement action plan has been submitted.</p> <p>In addition, an Improvement Advisor has been appointed by the Department for Education to support the partnership in meeting its improvement goals.</p> <p>An Improvement Board has been formed to oversee the progress against the action plan. This will be chaired by the independent Improvement Advisor.</p> <p>Progress will be further scrutinised by the Cheshire East Council Chief Executive, Chief Constable and a senior NHS representative. The Board will meet monthly until all the identified improvements have been successfully implemented.</p> <p>Regular reports on progress will be provided to Children and Families Committee.</p>
<p>Progress update for 2022/23 AGS</p>	<p>A comprehensive multi-agency 12-month action plan was developed to address the findings within the inspection letter in October 2022. This was submitted to Ofsted as required on 5 January 2023 and reported to the Children and Families Committee on 16 January 2023. A further progress update will be provided to committee on 10 July 2023.</p> <p>Governance arrangements were established commencing in November 2022 to ensure there is dedicated and senior oversight and scrutiny of progress against the plan. Monthly scrutiny of progress against the plan is provided by a multi-agency Improvement Board. Progress is also scrutinised by the chief officers for the statutory partners.</p> <p>The Partnership has received support, scrutiny, and challenge around the improvements from a Department for Education (DfE) Children's Improvement Advisor since January 2023. The DfE Children's Improvement Advisor has met with key strategic leads and observed operational partnership meetings which consider the risks to individual children and young people and provides challenge and scrutiny as the independent chair of the partnership Improvement Board.</p> <p>On 7 June 2023 a six-month review took place led by the DfE, and involving the Leader of the Council, the Chief Executive for the Council, Lead Member for Children and Families, key representatives from the partnership, and a group of partnership frontline practitioners, to review progress in making improvements since the inspection. The DfE acknowledged the progress and</p>

	<p>impact for children and young people at risk of exploitation which had been achieved by the partnership:</p> <p><i>“Overall, the council has made positive progress in addressing the issues identified at the time of the JTAI Ofsted inspection in July 2022. The improvement and transformation required is now better understood and, as a result, children’s services have been better prioritised within the council. There is now stronger leadership and expertise in the service, which has had a positive impact on culture and performance.”</i> Findings from the DfE six-month post JTAI review in June 2023.</p> <p>We better understand the cohort of children who are at risk of exploitation, ensuring that children receive the right support at the right time. The number of children at risk has reduced as a result of increased scrutiny of this cohort and effective intervention.</p> <p>As a Partnership we are working to improve coordination of support for children at risk, as well as provide specialist expertise, through building a dedicated multi-agency contextual safeguarding team with support from our sector lead improvement partner.</p> <p>To improve the impact and effectiveness of the Partnership on children’s outcomes, the Safeguarding Children’s Partnership has implemented changes based on a review by an independent scrutineer and has held two multi-agency learning hubs as part of its new quality assurance arrangements.</p> <p>An 11-month review of the improvement plan was held on 18 December 2023, and it was a very positive day. Practitioners and senior managers and leaders participated in the day and were able to showcase the hard work that has been put in to improving practice and outcomes for children at risk of exploitation and harm.</p> <p><i>“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.</i></p> <p><i>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.</i></p> <p><i>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</i></p>
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	<p><i>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.</i></p> <p><i>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."</i></p> <p>The Department for Education is satisfied that systems and processes are in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.</p> <p>It is therefore proposed that this issue is removed from future annual governance statements.</p>
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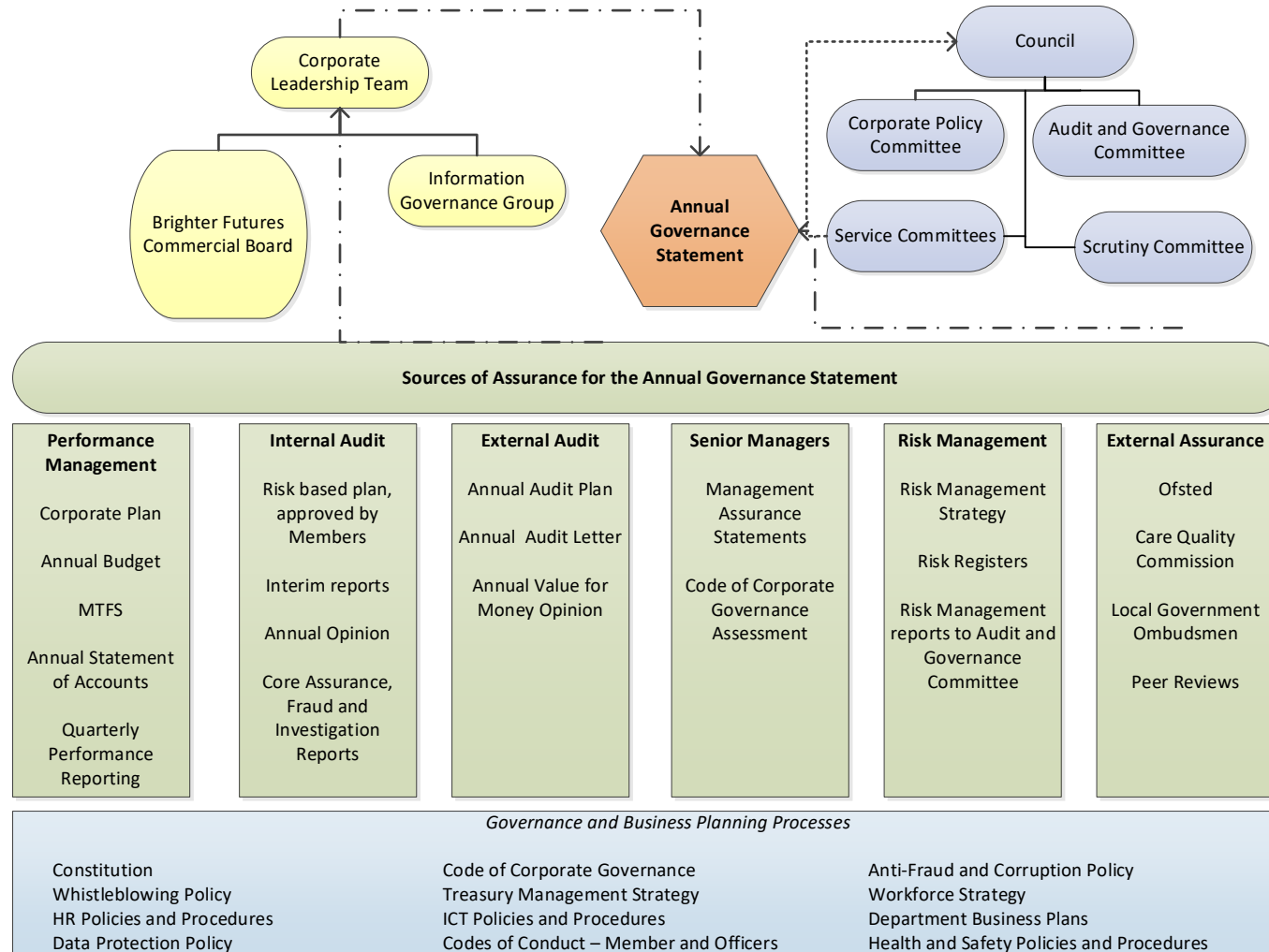
8. Significant Governance Issues 2022/23

- 8.1. The significant governance issues the Council recognises as arising during 2022/23 are detailed below. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need implementing and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Leadership Team and reported to the Audit and Governance Committee.

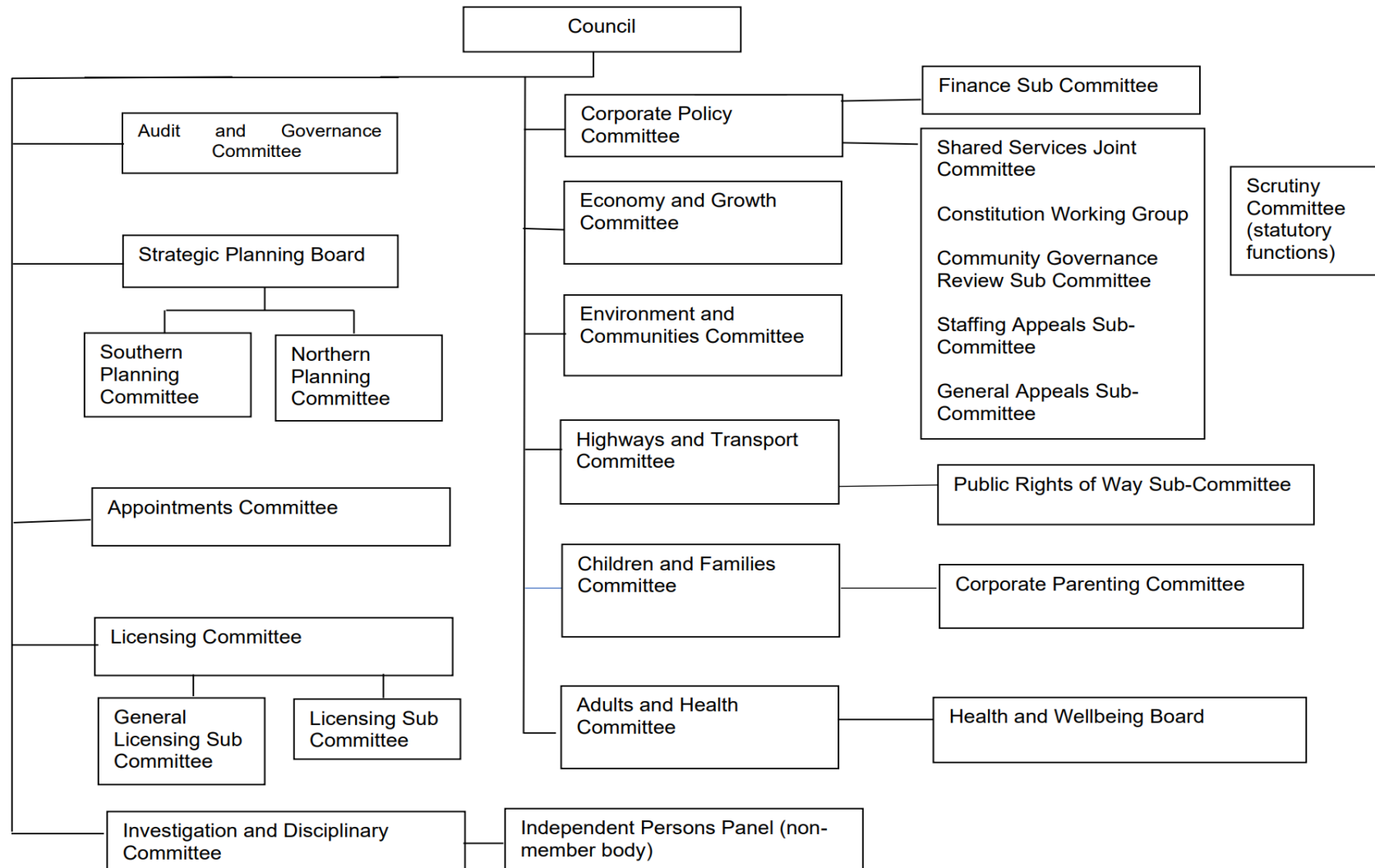
<u>Executive and Wider Leadership Team Capacity</u>	
Description of issue at the time of inclusion in AGS	<p>The Council's Corporate Leadership Team (CLT) comprises the Chief Executive as Head of Paid Service, with the most senior officers of the organisation; Executive Directors for each of the Council's 4 Directorates and the Council's Statutory Officers, (S151 Officer and Monitoring Officer). CLT meetings are also regularly attended by the Cheshire East Place Director (Cheshire and Merseyside Integrated Care Board).</p> <p>During 2022/23, interim arrangements were introduced to manage the absence of the Executive Director, Place, ensuring that there is senior leadership capacity in the Directorate. In October 2023,</p>

	<p>the Executive Director, Place left the Council, and it was confirmed that the interim arrangements have continued. However, these interim arrangements are not subject to backfill which impacts upon the wider management capacity within the Place directorate.</p> <p>In May 2023, the Executive Director, Corporate Services left the organisation, and interim management arrangements are in place for this Directorate, which ensures direct reporting lines between the Head of Paid Service and the Section 151 and Monitoring Officer roles.</p> <p>In July 2023, the former Chief Executive was announced as the preferred candidate for the Chief Executive role at Bradford Council and was subsequently confirmed in that post. The former Chief Executive left Cheshire East Council on the 13 October 2023.</p> <p>On the 18 October 2023, Council appointed an Interim Chief Executive with immediate effect whilst the ongoing recruitment process for a permanent candidate took place.</p> <p>On 13 December 2023, Council appointed a permanent Chief Executive who took up post on 3 January 2024.</p> <p>In February 2024, it was announced that the Section 151 Officer will be leaving the Council in May 2024 and interim arrangements are being put in place pending a permanent appointment to the role.</p> <p>Ensuring that there are sufficient and stable senior management arrangements for an organisation the size and complexity of Cheshire East Council must always be balanced against ensuring the arrangements are proportionate and offer effective and efficient use of resources.</p>
Responsibility	Chief Executive
Action proposed at the time of inclusion in the AGS	To review the Corporate Leadership Team and wider senior management structure to ensure sufficient capacity to meet statutory responsibilities and deliver the transformation programme required to meet the objectives and address the financial position of the Council.

Appendix 2: The Governance Framework 2022/23



Appendix 3: The Committee Structure



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Ref	Change
Throughout	Changes in tenses etc to reflect passage of time from draft to final.
1.6	Removal of paragraph relating to the external audit delay in completing work on the 21/22 financial statements and the 21/22 AGS not yet approved.
1.6	Changed title of new issue - CLT Capacity to Executive and Wider Leadership Team capacity
1.7 & 6.7	Updated to reference that the Public Interest significant issue has been removed as agreed by A&G Committee in July 2023
1.8 & 6.8	Added to propose that Safeguarding Children's Partnership issue is removed from future statements
1.10	Changed CEX from Lorraine O'Donnell to Rob Polkinghorne
3.4 & 5.2	Meeting dates, draft to final
5.24	Updated to include Workforce Strategy report to Corporate Policy Committee in October 2023
5.39	Included sentence referencing update on the CIPFA review of Audit Committee in December 2023
5.40	Updated to include Annual Report of Audit & Governance Committee for 2022/23
5.41, 5.42 & 5.71	Updated for approval and publication of the 2021/22 AGS
5.47	Updated to reference issue of External Audit Completion Reports in November 2023
5.53	Updated to reference A&G approval to remove PIR as a significant governance issue at July 23 meeting
5.54	Updated to include latest counter fraud update
5.74	Updated to included Monitoring Officer Report 2022/23
5.79	Updated to include update on Workforce Strategy in November 2023
Section 7	Removal of the Public Interest Report
Section 7	All "Progress update for 2022/23 AGS" updated and brought up to date as at February 2024 for each of the significant issues
Section 7	Updated Safeguarding Children Partnership issue to propose removal from future statements as actions are now complete
Section 8	Updated the CLT Capacity issue and action to reflect wider leadership capacity and current position as at February 2024

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Audit and Governance Committee Work Programme

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/20/23-24	07/03/2024	Risk Management Q2 Update 2023-24	To provide the Committee with an update on the effectiveness of risk management arrangements in the Council.	Head of Audit and Risk Management	No	No	Open	No	No
AG/23/23-24	07/03/2024	Draft Internal Audit Plan 2024/25	To present the Committee with the proposed Internal Audit Plan for 2024/25 for approval.	Head of Audit and Risk Management	No	No	Open	No	No
AG/26/23-24	07/03/2024	Annual Governance Statement 2022/23	To present the final Annual Governance Statement 2022/23 to the Audit and Governance Committee.	Head of Audit and Risk Management	N/A	No	Open	No	No
AG/27/23-24	07/03/2024	Certification of Housing Benefit Subsidy Claim and Teachers Pension Return 2022/23	To present the outcome of the External Auditor's certification process for the 2022/23 Housing Benefit Subsidy claim and Teachers' Pension End of Year Certificate (EOYC).	Director of Finance and Customer Services	No	No	Open	No	No
AG/28/23-24	07/03/2024	Section 106 - Audit Review Update	This presentation to the Committee will provide assurance on the implementation of the agreed recommendations arising from the Internal	Head of Audit and Risk Management	No	No	Open	No	No

Audit and Governance Committee Work Programme

			Audit Review on the management of Section 106 agreements.						
AG/29/23-24	07/03/2024	External Audit Findings and Action Plan 2022/23	The External Auditor's Audit Completion Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2022/23.	Director of Finance and Customer Services	No	No	Open	No	No
AG/05/24-25	30/05/2024	External Audit Update	To receive an update from the Council's External Auditors	Director of Finance and Customer Services	No	No	Open	No	No
AG/06/23-24	30/05/2024	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/03/24-25	30/05/2024	Progress Against CIPFA Review Action	To receive an update on progress made against the CIPFA review recommendations.	Head of Audit and Risk Management	TBC	TBC	Open	TBC	TBC
AG/25/23-24	25/07/2024	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	Director of Finance and Customer Services	No	No	Open	No	No

Audit and Governance Committee Work Programme

			that actions arising from complaints and improvements identified are being actioned.						
AG/15/21-22	25/07/2024	Whistleblowing Policy	To present proposals for an updated whistleblowing policy to the Audit and Governance Committee.	Director of Governance and Compliance	Yes	No	Open; Fair	No	No
AG/01/24-25	25/07/2024	Annual Internal Audit Report 2022-23	To receive an update on work undertaken by Internal Audit during 2022-23.	Head of Audit and Risk Management	No	No	Open	No	No
AG/02/24-25	25/07/2024	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/04/24-25	25/07/2024	External Audit Update	To receive an update from the Council's External Auditors.	Director of Finance and Customer Services	No	No	Open	No	No

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