

# Public Document Pack



To members of the  
Audit and Governance Committee

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DATE: 25 July 2019

Dear Councillor

## **AUDIT AND GOVERNANCE COMMITTEE – TUESDAY 30TH JULY 2019**

I am now able to enclose, for consideration at next Tuesday 30th July 2019 meeting of the Audit and Governance Committee, the following reports that were unavailable when the agenda was printed.

### **Agenda Item 12 – Annual Governance Statement 2018/19**

Yours sincerely

*Rachel Graves*

Democratic Services Officer

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## **Audit & Governance Committee**

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**Date of Meeting:** 30 July 2019

**Report Title:** Annual Governance Statement (AGS) 2018/19

**Senior Officer:** Catherine Parkinson, Interim Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to receive and approve the proposed final Annual Governance Statement 2018/19 for signature by the Leader of the Council and the Acting Chief Executive. Once approved the AGS will accompany the Statement of Accounts and be published on the Council's website.
- 1.2. The Council's assessment of its governance arrangements for 2018/19 has recognised two governance issues. It also summarises the progress made across the Council in managing issues identified in previous Statements. The proposed final statement for 2018/19 is provided in Appendix 1.

### **2. Recommendation**

- 2.1. That the Committee approves the Annual Governance Statement 2018/19.

### **3. Reasons for Recommendation**

- 3.1. In accordance with the Accounts and Audit Regulations 2015, the Annual Governance statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the Statement of Accounts is approved and no later than 31<sup>st</sup> July. The Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.

### **4. Other Options Considered**

- 4.1. Not applicable.

## 5. Background

- 5.1. 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.
- 5.2. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as 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 1 are the results of that review
- 5.3. The draft AGS was published at the beginning of June 2019 on the Council's website. A small number of changes have been made to that draft document regarding timings of meetings and documents, in order to reflect it now being the proposed final.
- 5.4. Two items previously recognised in the AGS have been identified for removal; Governance of the Local Enterprise Partnership and the Council's Investigation and Disciplinary Committee. Sufficient progress has been made on these items for them to be removed from future statements and be reviewed through local management and monitoring arrangements.
- 5.5. Once approved and signed, 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 Annual Governance Statement will be provided to the Audit and Governance Committee as part of its work programme.

## 6. Implications of the Recommendations

### 6.1. Legal Implications

- 6.1.1. The Production of the Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit England Regulations 2015.

### 6.2. Finance Implications

- 6.2.1. 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.

**6.3. Policy Implications**

6.3.1. There are no specific policy implications.

**6.4. Equality Implications**

6.4.1. There are no specific equality implications.

**6.5. Human Resources Implications**

6.5.1. There are no specific Human Resources implications.

**6.6. Risk Management Implications**

6.6.1. 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.

**6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

**6.8. Implications for Children & Young People/Cared for Children**

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

**6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

**6.10. Climate Change Implications**

6.10.1. There are no direct implications for climate change.

**7. Ward Members Affected**

7.1. Not applicable

**8. Consultation & Engagement**

8.1. The draft Annual Governance Statement has been published on the Council's website since the beginning of June 2019.

**9. Access to Information**

9.1. The proposed final Annual Governance Statement 2018/19 is attached as Appendix A to this report.

**10. Contact Information**

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

Name: Josie Griffiths  
Job Title: Head of Audit and Risk Management  
Email: [josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

# Annual Governance Statement 2018/19

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**1. Executive Summary and Approval**

- 1.1. Each year the Council produces an Annual Governance Statement (AGS) that explains how it manages 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; and
  - 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 2018/19**

- 1.4. We 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. Our assessment of the effectiveness of our governance arrangements for 2018/19 has identified governance issues as described in Section 8. The Council has previously recognised a number of significant governance issues in previous Statements, Progress updates on these items are described in Section 7.
- 1.6. 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.

Cllr Sam Corcoran  
Leader

Kath O'Dwyer  
Acting Chief Executive

**2. Introduction**

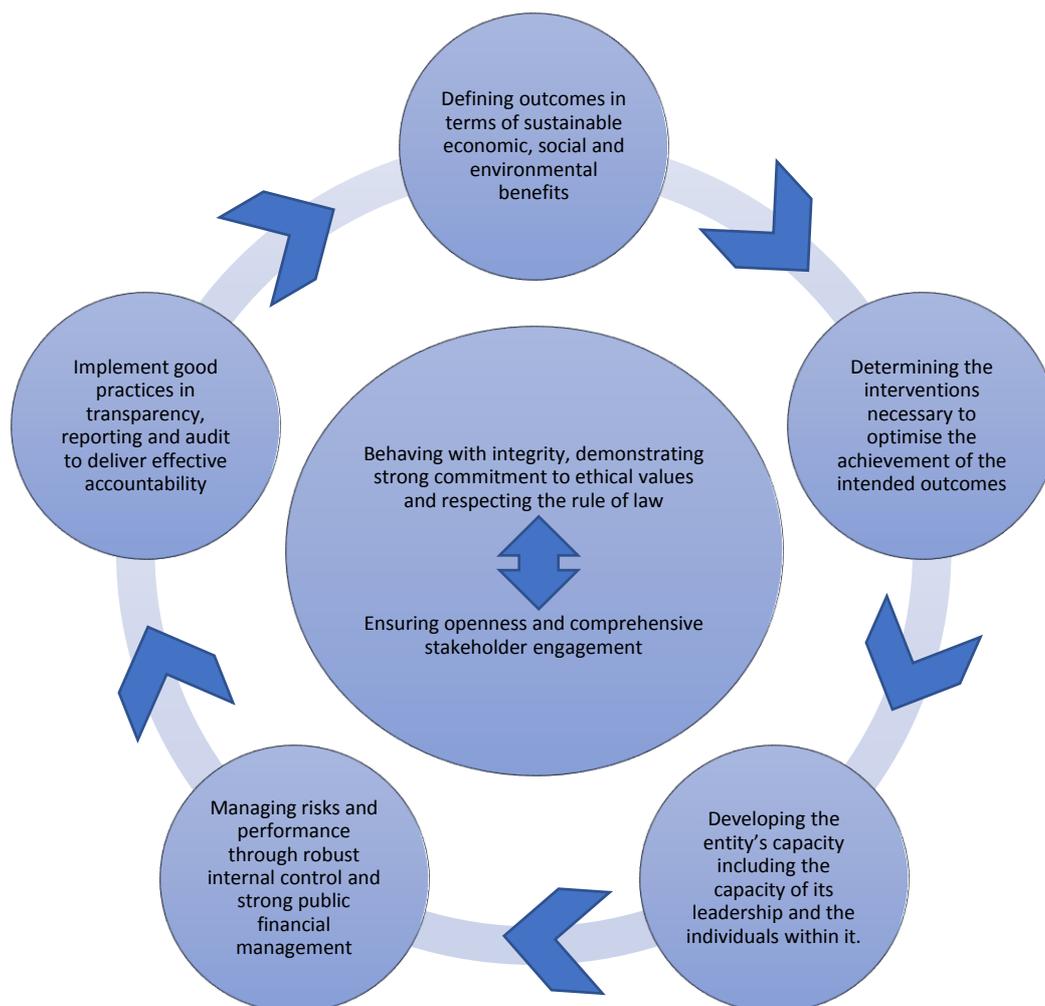
- 2.1. The Accounts and Audit Regulations 2015 require that:
- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control;
  - Findings of this review should be considered by the Council
  - The Council must approve an Annual Governance Statement; 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 the 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 an updated 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 AGS was published in June 2019, and has been further reviewed and updated as necessary to ensure this Statement remains current for when the Audit and Governance Committee considers it in July 2019.
- 3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and the Acting 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 2018/19 which are set out below.
- 5.2. The Governance Framework described below and also shown in **Appendix 1** has been in place for the year ended 31<sup>st</sup> March 2019 and to the time of the AGS being approved by Audit and Governance Committee in July 2019 unless otherwise indicated.

#### *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. The updated Corporate Plan for 2017/20 was agreed by full

Council on 23<sup>rd</sup> February 2017. The Corporate Plan forms the basis for developing proposals within the Medium Term Financial Strategy (MTFS 2019/22).

- 5.4. The MTFS 2019/22 was agreed at the February 2019 Council meeting. The report sets out the Council's plans and the funding required to deliver the outcomes required to secure the Council's ambition of Cheshire East remaining one of the best places to live in the North West.
- 5.5. Progress against the Corporate Plan is reported to Cabinet on a quarterly basis. The reports demonstrate performance of the Council aligned to the outcomes defined in the Corporate Plan, and how priorities are being managed to achieve the best results for local residents through the monitoring of set key performance indicators. Performance reports are also scrutinised by the Overview and Scrutiny Committees who provide comments to Cabinet.
- 5.6. The 2018/19 Final Outturn of Performance was reported to the Corporate Overview and Scrutiny Committee on June 6<sup>th</sup> and to Cabinet on June 11<sup>th</sup>. The performance reports noted that the statutory duties of the Council had been delivered within the relevant parameters and inspection frameworks, and despite the financial pressures experienced in year, service standards had been maintained.
- 5.7. The Council delivered and progressed a number of infrastructure improvements and developments across the Cheshire East area. These major schemes are critical elements in delivering the ambitions of the Council. These include the Crewe Green Roundabout, Congleton Link Road, A500 Dualling Scheme and the Middlewich Eastern Bypass.
- 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 relevant actions undertaken during 2018/19 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. Following extensive review, a revised Constitution was brought into effect on 1<sup>st</sup> January 2018. Throughout 2018/19 the Council's Constitution Committee has considered a variety of "Living Document" changes, which had arisen from issues raised by Members during the process of review, or had arisen following its adoption. Changes to the Constitution have either been approved under the

delegated authority of the Monitoring Officer and the Committee, or subsequently endorsed by full Council. Monitoring the operation of the Constitution in practice and identifying areas where clarification or change is required is crucial to supporting effective and transparent decision making. This work is ongoing.

- 5.11. In June 2018 the Constitution Committee considered and approved a proposal to end the use of the Technical Enabler Group (TEG) and the Executive Monitoring Board (EMB). This was to avoid duplication with the Commissioning and Procurement Board, which was introduced following recommendations from a procurement review.
- 5.12. The Terms of Reference for the Shared Services Joint Committee were updated to reflect the Joint Committee's changing role, from overseeing the initial sharing of services to contributing to the development and shaping of the change agenda where the Councils can share services. The Terms of Reference were considered by Constitution Committee in September and approved by Council in October 2018.
- 5.13. In response to guidance from CIPFA, the Terms of Reference for the Audit and Governance Committee were reviewed and updated to ensure they continued to undertake the recommended core functions of a local authority audit committee. Council approved updated Terms of Reference in December 2018 and the Committee's Work Programme has been updated accordingly.
- 5.14. The Council undertook extensive pre-budget consultation, setting out change proposals for consideration over the period 2019/22. Stakeholders were invited to comment on the Council's pre-budget report between October and December 2018 and a summary of the responses formed part of the consideration of the Medium Term Financial Strategy 2019/22 by Council at its February 2019 meeting.
- 5.15. The Medium Term Financial Strategy (MTFS) clearly identifies how resources will be matched against the delivery of priorities established in the Council's Three Year Plan.
- 5.16. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Reserves Strategy.

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

- 5.17. The Acting Chief Executive, Executive Directors and Statutory Officers meet weekly 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 a number of cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the Governance Framework diagram in Appendix 1.

- 5.18. The Council's Constitution defines the standards of conduct and personal behaviour expected of, and between, members, staff, associated partners 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.
- 5.19. In March 2018 the Constitution Committee received and approved "A Member-led Council: Developing Effective Member and Officer Relations" as a supplement to the Member/Officer Protocol. The Corporate Overview and Scrutiny Committee, considered the document in April 2018 and supported the approach set out in the document, and endorsed its importance as a supplement to the Council's Member/Officer Protocol.
- 5.20. The statutory roles of the Head of Paid Service, Monitoring Officer and Chief Operating Officer/Section 151 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.
- 5.21. Arrangements have been made, including the use of interim staff, to ensure that these statutory roles have been undertaken during 2018/19. An updated organisational structure came into effect on 1<sup>st</sup> April 2019 with recruitment to posts being undertaken in May 2019. The Constitution will be updated to reflect the implementation of the restructure early in 2019/20.
- 5.22. The Council publishes a Pay Policy Statement by 31st March on an annual basis. This provides transparency with regard to the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2018/19 was agreed by Council in February 2018.
- 5.23. The 2019/20 Pay Policy Statement recommended to Council on 21st February 2019 from Staffing Committee, included a number of changes from the 2018/19 Statement. This included an update on the development of a new Cheshire East pay structure in response to the National Joint Council (NJC) pay structure.
- 5.24. The Council's Staffing Committee has received regular reports on the Council's People Plan 2018/20 and the Council's Wellbeing in Work Strategy. Both include objectives aligned to the Brighter Futures - Working Together to Transform our Council Culture Workstream.

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

- 5.25. Audit and Governance Committee have received update reports on the Council's Corporate Risks during 2018/19. Operational risk registers have been included in the department and team plans. These are reviewed by the team plan owners,

and risks are considered for escalation to the Corporate Risk Register as necessary. The Council's approach to risk management will be reviewed and refreshed as necessary during 2019/20.

- 5.26. 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.
- 5.27. Council received the Overview and Scrutiny annual report for 2017/18 in December 2018. This summarised the activity of the four scrutiny committees during the municipal year.
- 5.28. Overview and Scrutiny Committees have scrutinised quarterly performance scorecards and budget proposals for the 2019/20 and 2020/21 period relevant to their area of focus.
- 5.29. During 2018/19 the Children and Families Overview and Scrutiny Committee met on seven occasions. The Committee's work programme included scrutiny of the feedback from, and the Council's responses to the Ofsted inspection of Children's Social Care, the development of the Sustainable Modes of Transport Strategy, the redesign of Early Help Services and Children's Homes Commissioning. It scrutinised the 2017/18 Annual Reports from the Integrated Front Door Service, the Annual Education Report, the Local Safeguarding Children's Board, the Local Authority Designated Officer and the Corporate Parenting Board.
- 5.30. The Committee reviewed the annual summary of frontline service visits conducted by its Members. It also received a final report on the Task and Finish Group on Special Education Needs and/or Disability (SEND) Reforms, and a subsequent report on the recommendations made by the Group.
- 5.31. The Health and Adults Social Care and Communities Overview and Scrutiny Committee met on 13 occasions during 2018/19. The Committee scrutinised reports throughout the year on proposals to redesign National Health Service (NHS) service delivery in the Cheshire East area including Adults and Older People's Specialist Mental Health, and specialist orthodontic and oral surgery provision in Macclesfield. The Committee received regular updates on the future arrangement of Clinical Commissioning Groups in the area.
- 5.32. The Committee also reviewed the 2017/18 annual reports for Public Health Services, the Better Care Fund and Improved Better Care Fund, the Local Safeguarding Adults Board, and the Adult Social Care Local Account. It received the report of the Task and Finish group on Anti-Social Behaviour and the Quality Accounts were presented to the Committee from East Cheshire NHS, Cheshire and Wirral Partnership and the Mid Cheshire Foundation Trust.

- 5.33. The Environment and Regeneration Overview and Scrutiny Committee met on 6 occasions during 2018/19 and received presentations and reports on the review of Household Waste and Recycling Centres, updates on the Local Transport Plan, the annual Air Quality Status report and Air Quality Strategy and an update on the Supported Bus Network.
- 5.34. The Committee also reviewed reports on the Strategic Infrastructure Programme, the public consultation feedback on Well Managed Highway Infrastructure, Extra Controls in the Private Rental Sector and the consultation for the Cemeteries Strategy.
- 5.35. The Corporate Overview and Scrutiny Committee met on five occasions during 2018/19 and received updates and presentations on a variety of issues. These included quarterly performance scorecards, the Best 4 Business project, and the work of the Fly Tipping Monitoring Group. The Committee scrutinised pre-budget consultation for 2019/20 and received an update on the work of the Transparency Working Group and a presentation on Digital Customer Services. It also considered reports and updates on the New Homes Bonus Community Fund.
- 5.36. The Council's Scrutiny arrangements have recently been self- assessed against best practice from the Centre for Public Scrutiny. Outcomes from the assessment are currently being considered.
- 5.37. The Information Governance Group met regularly throughout 2018/19, managing a programme of proactive improvement and assurance on compliance for 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. An update report on Information Governance will be provided to the Audit and Governance Committee in July 2019.
- 5.38. A Commissioning and Procurement Board, supported by a Delivery Group was established in 2017. The Board is chaired by the Executive Director of Corporate Services. The Group meets bi monthly, the scope of the Programme has grown and is now included within the commercial work stream of the Brighter Futures "Working Together to Transform our Council" project.
- 5.39. During 2018/19 the Board's Terms of Reference were reviewed as the project moved into "business as usual" mode to ensure the Board and Group were still adding value.
- 5.40. The Group have developed a commissioning, procurement and contract management training package and toolkit which will be delivered across the Council to ensure all Officers are trained to the required level, that there is a

standard way of working and the Council achieves commissioning excellence for Cheshire East residents.

- 5.41. Changes to the Council's Contract Procedure Rules were considered by the Constitution Committee in March 2018. The changes considered were of an operational nature, designed to further improve efficiency and governance.
- 5.42. 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.
- 5.43. During 2018/19 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;
  - Updates on Risk Management and Treasury Management; and
  - Overseeing governance arrangements and reviewing all approved Waivers and Records of Non Adherences (WARN). 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.
- 5.44. The Audit and Governance Committee's self-assessment against the CIPFA guidance was considered at the May 2018 meeting and approved subject to one amendment. The Committee will undertake its next self assessment later in the 2019/20 year.
- 5.45. The Committee's Annual Report for 2017/18 was presented to the July 2018 Audit and Governance Committee and was received at the October 2018 Council meeting. The Committee's draft Annual Report for 2018/19 will be presented to the July 2019 Audit and Governance Committee.
- 5.46. The 2017/18 Annual Governance Statement was approved at the July 2018 meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The Statement was signed by the Leader of the Council and the Acting Chief Executive and published on the Council's website.
- 5.47. An update on progress made in managing issues raised in the 2017/18 Statement was taken to the Audit and Governance Committee meeting in

December 2018. The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements.

- 5.48. Progress made in managing issues noted as “requiring further attention” in previous Statements, is covered in the Section 7 of the Statement.

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

- 5.49. 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 2018/19, which will be received by the Audit and Governance Committee on July 30th and is as follows:

**Internal Audit Opinion**

The Council’s framework of risk management, control and governance is assessed as adequate for 2018/19

- 5.50. The Internal Audit Annual Report for 2018/19 has been prepared by the Council’s Principal Auditors who currently have management responsibility for Internal Audit and cover the role of the Head of Internal Audit. Support and sign off was been provided by the Interim Executive Director of Corporate Services who had line management responsibility for Internal Audit during 2018/19.
- 5.51. Updated Public Sector Internal Audit Standards (PSIAS) have been implemented from 1st April 2017. A requirement of the PSIAS is for an external assessment against the Standards to be undertaken at least once every five years. All local authorities should have had their first external assessment by 31<sup>st</sup> March 2018.
- 5.52. The outcome of the external assessment of the Internal Audit function against the Public Sector Internal Audit Standards was reported to the Audit and Governance Committee in September 2018. The assessment was carried out under a peer review arrangement managed by the North West Chief Audit Executives Group. The Committee received a copy of the external assessment and the action plan.
- 5.53. The function was judged to be partially compliant with the Standards at the time of inspection. All actions resulting from the external assessment have either been implemented, or are scheduled for implementation following the appointment of the Head of Audit and Risk.
- 5.54. Counter Fraud activity is reported to the Audit and Governance Committee through the Internal Audit progress reports. During 2018/19 three prosecutions of issues previously referred to Cheshire Police were concluded, with successful prosecutions for charges of fraud by abuse of position, fraud by false representation, and theft from an employer and the recovery of £8,600.

- 5.55. The Council has a number of wholly owned companies. The following have been in operation during 2018/19;
- Orbitas
  - Ansa
  - Transport Service Solutions Ltd. (TSS Ltd)
  - Civicance
  - Engine of the North (EoTN)
  - Tatton Enterprises Limited
  - The Skills and Growth Company (SAGC)
- 5.56. Everybody Sports and Leisure (ESAR) is a charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. ESAR 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 operating agreement between the Council and ESAR has been extended for a further five years.
- 5.57. ESAR's annual performance report for 2017/18 was reported to Cabinet in November 2018. The Council's Health and Adult Social Care and Communities Overview and Scrutiny Committee also considered ESAR's annual report at its February 2019 meeting where a number of questions were discussed in relation to identifying and addressing gaps in provision, the funding of the Trust and content for future annual reports.
- 5.58. Cabinet received a report in March 2018 which summarised the key recommendations made by Edge Public Solutions Ltd, following its review of ASDV Governance and the Council's commissioning arrangements.
- 5.59. This included the creation of a Cabinet Committee (the "Shareholder Committee") which would give advice and guidance to the Cabinet Member with legal responsibility for making ASDV shareholder decisions.
- 5.60. The Shareholder Committee met in August 2018 to agree the Committee's Terms of Reference, the ASDV change programme and the recruitment process for two co-opted members to the Committee.
- 5.61. At further meetings of the Committee in 2018/19, the Committee received updates on their forward plan and training programme, the future role of Cheshire East Residents First Limited (CERF) and the ASDV review programme.
- 5.62. Reports on the first phase of the ASDV review were also taken to Cabinet in January and March 2019. The decision was made by the Portfolio holder on March 13th, and reviewed by the Overview and Scrutiny Committee to bring the services provided by the Engine of the North and the Skills and Growth

Company back to the Council. Subject to formal consultation, the process of transferring services and staff back to the Council's economic development service will take place on 1st August 2019.

- 5.63. The Shared Services Joint Committee oversees the management of the services provided pan-Cheshire 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 from ICT Services, the Transactional Service Centre, progress in replacing the Finance and HR System and the reviews of the Committee's governance arrangements.
- 5.64. The Shared Services Joint Committee has received progress reports on the shared programme with Cheshire West and Chester Council to replace the existing Finance and HR Systems. This has included revision of the original go-live date in recognition of the need for assurance on the build activity and completion of User Acceptance Testing ahead of implementation.
- 5.65. 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.
- 5.66. In March 2018, the Office for Standards in Education, Children's Services and Skills (Ofsted) and the Care Quality Commission carried out an inspection that looked at how well education, care and health services work together to identify, assess and meet the needs of children and young people with special educational needs and/or a disability. As a result of the inspection, the local area was required to produce and submit a Written Statement of Action to Ofsted.
- 5.67. The final Written Statement of Action was approved for submission by the Health and Wellbeing Board on 24 July 2018 before being submitted to Ofsted.

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

- 5.68. 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.
- 5.69. 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.

- 5.70. During 2018/19 the Audit and Governance Committee received two update reports from the Monitoring Officer, advising 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.
- 5.71. Following the suspension of the Chief Executive, the Chief Operating Officer and the Director of Legal Services in 2017/18, under decisions taken by the Investigation and Disciplinary Committee, the Council has interim senior management arrangements in place to ensure continuity of service and the fulfilment of statutory responsibilities.
- 5.72. These include the appointment of the Executive Director for People and Deputy Chief Executive as Acting Chief Executive and the appointment of interim Executive Directors for Corporate Services. These arrangements have continued following the resignation of the Chief Executive and the Chief Operating Officer.
- 5.73. In June 2018 Cheshire Police confirmed that the investigation into the historical awarding of a contract by Cheshire East Council has concluded and a file has been submitted to the Crown Prosecution Service. Other matters previously referred to Cheshire Police by the Council are subject to active investigation. The Council continues to provide support as required. In October 2018, the Council referred a further matter to Cheshire Police for consideration.
- 5.74. Section 151 responsibilities for 2018/19 were covered by an Interim Executive Director for Corporate Services and thereafter the Head of Finance and Performance. These arrangements complied with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.75. The Council's Monitoring Officer is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. Following the suspension and subsequent resignation of the Director of Legal Services and Monitoring Officer in 2017, interim arrangements were implemented, and an acting Director of Legal Services appointed.
- 5.76. This arrangement continued within 2018/19 until the implementation of a revised structure in the Corporate Directorate. From the 1<sup>st</sup> April 2019, the Monitoring Officer responsibility is invested in role of the Director of Governance and Compliance Services. Council ratified the appointment to this post which will be taken up by the permanent post holder in early September 2019, and an Interim Director of Governance and Compliance Services has been appointed for the intervening period.
- 5.77. The Council's Investigation and Disciplinary Committee met regularly during the year to consider concerns about officer conduct raised in early 2017. Following

the resignation of the Chief Executive and Chief Operating Officer during 2018/19 all matters being considered by the Investigation and Disciplinary Committee have concluded. In July 2019 the Constitution Committee considered revised terms of reference for the Investigation and Disciplinary Committee following experiences from recent matters and the guidance in the JNC Conditions of Service Handbook.

- 5.78. In its assurance role, the Staffing Committee has 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). It now forms part of the Brighter Future Working Together to Transform our Council programme. The LGA's report was received in January 2018 and is available on the Council's website.

#### ***Ensuring openness and comprehensive stakeholder engagement***

- 5.79. The Council's Transparency Working Group reported on its progress to the Corporate Overview and Scrutiny Committee on 4th April 2019. In this report, the Group outlined the substantial progress made by the Group which included achieving compliance with the Local Government Transparency Code 2015, the Information Commissioner's Publication Scheme, Re-use of Public Sector Information Regulations 2015 and various copyright and data licensing regulations.
- 5.80. Cheshire East's FOI Disclosure Log was launched on 29th August 2018. The Disclosure Log publishes on the Council's website requests and responses handled under the Freedom of Information Act (FoIA) and the Environmental Information Regulations (EIR). It enables the Council to proactively make information released in response to individual requests available to the wider public; this reinforces the spirit of the FoIA and EIR, promotes openness and transparency and improves access to information which may be of interest to the wider community.
- 5.81. 'Open Data Cheshire East' is the Council's open data portal, and is used to publish the majority of our transparency and open data together in one place. It is designed to make inspecting, accessing and downloading the data easier for everyone, including developers, who may wish to use the data in their own applications or websites. This site was replaced by an updated site launched in April 2019. The site will be promoted by a full internal and external communications programme to promote it to officers, Members and the public.
- 5.82. 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.

- 5.83. Following review of the arrangements to improve accessibility for Committee meetings by the Constitution Committee in June 2018, meetings have continued to be audio cast throughout the year. 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.
- 5.84. The Council publishes delegated officer decisions on its website, demonstrating how the provisions of the Constitution have been exercised.
- 5.85. 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 made are also available.
- 5.86. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. “Core Brief” was introduced in the year, as a monthly topical update from the Corporate Leadership Team, to be cascaded through Department Management Team meetings to Team/Unit meetings as necessary. Members of the Corporate Leadership Team regularly participate in “Back to the Floor” sessions across various parts of their service areas to engage directly with their teams.
- 5.87. Directors and Heads of Service meet at regular intervals as the Wider Leadership Team and the Wider Leadership Community. These sessions facilitate briefing, networking and development opportunities across the senior officer leadership cohort. Key messages from these sessions are cascaded through department and team management sessions.
- 5.88. 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 monthly and annual awards. The recognition panel itself includes volunteers from across the organisation.
- 5.89. The Council’s Acting Chief Executive has continued to hold monthly staff engagement events; “A Conversation With...” These have been held across the Council’s various office locations and offer an opportunity for staff to raise any questions or issues they have directly with their Senior Managers. Questions and answers are summarised and shared via the Team Voice newsletter. Executive Directors have held various engagement events in their directorate areas over the course of the year.
- 5.90. 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 also referenced in the Governance Framework in Appendix 1.
- 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. There have been no significant governance issues.
  - **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.
- 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 through 2018/19.
- 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 most recently in an update provided in December 2018.
- 6.7. At that meeting, the Committee approved the recommendations that substantial progress had been made on the following areas, and that they could be removed from the Annual Governance Statement and be subject to local monitoring and management.
- Review of Contract Award re Core Fit
  - Alternative Service Delivery Models
  - Berkeley Academy Car Park
  - Sleep In Arrangements
  - Chief Inspector of Weights and Measures
  - Bullying and Culture Review
- 6.8. Since it was first recognised in the Annual Governance Statement, significant progress has been made in relation to the governance arrangements for the Local Enterprise Partnership (LEP). In addition, the business of the Investigation and Disciplinary Committee (IDC) in relation to designated statutory officers has also concluded and the opportunity to reflect and update IDC procedures has been considered by the Constitution Committee. Lastly, the ICO have completed their investigation into the matter referred by the Council and confirmed they will take no further action. It is therefore recommended that these matters are removed from future Annual Governance Statements. Although they have been identified in previous Statements, the issues of “Council Funding” and “Health and Social Care Integration” have been included again as continuing areas of concern issues for 2018/19 in the updates in Section 7. This recognises the continuing significance of these two specific areas, at national and local levels.
- 6.9. The review has considered the effectiveness of the Council’s governance arrangements against the principles set out in the revised Code of Corporate Governance.
- 6.10. Overall we can confirm that the Council has the appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well our review has identified where governance oversight is needed. These are outlined in Section 8.

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

<b>Business Continuity Planning</b>	
<i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i>	
<b>Description of Issue</b>	Current and tested business continuity plans are not consistently in place across all service areas.
<b>Responsibility</b>	Director of Governance and Compliance
<b>Action proposed at the time of inclusion in the AGS</b>	Develop Business Continuity Planning to ensure service delivery in the event of business disruption
<b>Progress Update for AGS 2018/19</b>	<p>During 2018/19 work continued across the organisation to develop high level business impact assessments to clarify the scope of the business continuity programme.</p> <p>Business Continuity and ICT Disaster recovery plans were tested following a network incident in January 2019. A “lessons learned” review identified a number of opportunities to improve the Council’s resilience.</p> <p>This included the procurement of a web based application which facilitates and simplifies business continuity management and encompasses Business Impact Analysis (BIA), planning and exercise management. The information held centrally can be collated to produce an overarching Business Continuity Plan (BCP) which includes recovery time objectives, crisis management plans and procedures. This enables the delegation of business continuity management (BCM) responsibilities across the Council and the monitoring of plan maintenance.</p> <p>The application is currently in development, with a project management board in place to oversee the development and implementation of the software. Responsibility for the management and maintenance of the toolkit will then be overseen by the Head of Audit and Risk, with individual service managers having responsibility for the validity of the toolkit content for their area.</p>

	<p>Once the toolkit content is complete, it will be used to facilitate training and testing of services plans; this is critical for ensuring BCM plans are as effective as possible and can be flexible to the changing needs of the organisation.</p>
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<p><b>Local Enterprise Partnerships</b></p>	
<p><i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p>	
<p><b>Description of Issue</b></p>	<p>Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Enterprise Partnership (LEP) are out of date</p>
<p><b>Responsibility</b></p>	<p>Executive Director of Place</p>
<p><b>Action proposed at the time of inclusion in the AGS</b></p>	<p>Governance arrangements need to be developed that are sufficiently “future proofed” to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council’s relationship with it.</p>
<p><b>Progress Update for AGS 2018/19</b></p>	<p><u>Financial Management</u>                  The LEP’s Finance &amp; Audit Committee Board continues to receive, review and challenge the financial management of the LEP including adherence to the assurance framework, Enterprise Zone income and internal audit. This group is chaired by Tim Wheeler (LEP Board member and Vice Chancellor, University of Chester). Cheshire East Council (CEC) is represented on this board by the Section 151 Officer.</p> <p>As part of our Finance and Accountable Body services provided to the LEP the Council assists in the preparation of the financial information for inclusion in the final version of its Annual Report. This includes information not only in respect of the LEP company’s operating accounts, but also financial summaries relating to the Local Growth Fund, Growing Places Fund, and other reserves and balances in order to present a more comprehensive picture of the LEP’s financial affairs. We also provide input into the LEP’s “Annual Conversation” (meeting with Government Officials) to discuss progress and performance which took place on 10<sup>th</sup> December 2018.</p> <p><u>National Assurance Framework</u>                  LEPs are required to produce their own Local Assurance Frameworks in accordance with national Government guidance. The LEP Review was published late summer 2018 with further recommendations for improving the</p>

governance and transparency of LEP's and this has resulted in further revisions to the National Assurance Framework for LEP's to adopt.

As part of our Accountable Body role, Cheshire East's Internal Audit Team assists with the review of the LEP's Local Assurance Framework and the preparation of a report with recommendations as necessary. This has been carried out and reported on in March 2019 with a "Good" assurance opinion provided, confirming that the LEP's assurance framework meets with the national requirements and operated as such in practice.

LEP Review

The report "Strengthened Local Enterprise Partnerships" was published by the Ministry of Housing, Communities and Local Government (MHCLG) on 24<sup>th</sup> July 2018 and proposed a number of reforms to the leadership, governance and accountability of the 38 LEPs charged with kick-starting economic growth and creating jobs in their regions.

This policy review of LEP's makes recommendations for changes to boost the performance of LEPs to increase their diversity, ensure they are operating in an open and transparent way and are suitably equipped to support Government in the development and delivery of Local Industrial Strategies. (LIS)

The Cheshire and Warrington LEP, under the guidance of the LEP Board (which includes representation from the 3 Local Authorities) submitted a formal response to government setting out actions to be taken which include:

- Publishing an annual delivery plan (*currently in draft for discussion*);
- Developing and delivering a strong evidence based LIS as a main priority (*an interim report, the LIS Summary Document along with the evidence base and supporting appendices was published in March 2019 on the LEP website*) and;
- Reviewing the LEP Board and Sub Committee membership with regard to term, gender and protected characteristics (*new recruitment drive for 2 new Board and 15 Sub Committee Members is underway*)

	<p><u>Increasing Capacity</u></p> <p>The LEP is planning for increasing its staffing establishment and marketing spend, principally through additional monies from MHCLG and utilisation of some of the retained Enterprise Zone monies. New appointments include Directors for Communications, Finance, Transport and Business Support. As LEP Accountable Body we have been involved in assisting the LEP in preparing its budget; and the Council’s Section 151 Officer has been involved in the interview panel for the Finance Director role.</p> <p>The Cheshire and Warrington Growth Hub provides support services to businesses within the LEP area supported by Government Funding. The LEP appointed consultants to develop an options paper on future development of the Business Growth Hub which recommended delivery of services through the LEP going forward and this transfer took effect on 1st October 2018 with a new Growth Hub Director appointed.</p> <p>The LEP Board has formally agreed a merger with Marketing Cheshire which is to become a subsidiary of the LEP. The main reason cited for this development is to support the LEP’s aim to step up its level of private sector/business engagement and place marketing activity with an increased budget of £200k per year. The 2 organisations will be kept as distinct entities so the merger can be dissolved in the future if required. The new Marketing Director is reviewing communications activity and collateral including the LEP branding and website.</p> <p>As LEP accountable body, CEC has sought assurance that due diligence has been carried out and that there are no issues of concern for us.</p>
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<p><b>Council Funding</b>  <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i></p>	
<p><b>Description of Issue</b></p>	<p>Ongoing and future changes to the financial framework - including several changes to national funding regimes - will increase the Council’s reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to</p>

	ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.
<b>Responsibility</b>	Executive Director of Corporate Services
<b>Action proposed at the time of inclusion in the AGS</b>	<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>Senior accountants are fully engaging with government and professional bodies (such as CIPFA, SCT, RSN and UTS), in the review of local government finance. 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 discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligning Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework.</p>
<b>Progress Update for AGS 2018/19</b>	<p>The 2018/19 outturn was balanced, albeit with the use of reserves and non-domestic rates income that would otherwise have been unused. This position was reported as likely throughout the year, and this allowed the main issues to be addressed as part of the budget setting process for 2019/20.</p> <p>Overspending occurred in a number of service areas. Most notably it was demand led pressure that caused Childrens Services to overspend, whereas unachievable savings caused overspending in Environmental and</p>

	<p>Corporate Services. General Reserve levels remained unaffected, in line with the approved Reserves Strategy.</p> <p>The total earmarked reserves balance remained constant, although there was movement in individual reserves as reported in the accounts.</p> <p>Financial uncertainty associated with consultations on local government funding still remain, although growth in the local domestic and non-domestic tax bases also remain strong.</p>
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<b>Health and Social Care Integration</b> <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	
<b>Description of Issue</b>	<p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the two acute providers and one Community and Mental Health provider in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with the initial aims of the work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>
<b>Responsibility</b>	Executive Director of People
<b>Action proposed at the time of inclusion in the AGS</b>	<p>The BCF Governance Group, overseen by Cheshire East’s Health and Wellbeing Board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East’s plans for BCF in 2016/17. The expected status is “approved with support”.</p> <p>At the time of submission, there were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> <li>• Final agreement for expenditure plans;</li> <li>• Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group; and</li> </ul>

	<ul style="list-style-type: none"> <li>• Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&amp;E Delivery Boards).</li> </ul> <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key “medium” ranked recommendations:</p> <ul style="list-style-type: none"> <li>• Failure to identify and effectively manage BCF risks;</li> <li>• CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated; and</li> <li>• Poor Information Governance.</li> </ul> <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>
<p><b>Progress Update for AGS 2018/19</b></p>	<p>The BCF/iBCF schemes have continued to operate during the course of 2019, an end of year report covering the progress of the schemes during 2018/19 has been produced, and this includes information on the financial performance, data performance as well as summary of patient stories which will be presented to the Health and Wellbeing Board.</p>

Since the last progress update in October 2018 a number of metric deep dives were carried out into:

- Non-elective admissions (General and Acute);
- Admissions to residential and care homes;
- Long stay patients; and
- Delayed transfers of care.

The aims of the deep dives were as follows:

- Understand system performance in relation to metric;
- Highlight differences between east and south;
- Highlight patterns/themes where greater resource can be targeted; and
- Produce a series of recommendations to be implemented by organisations.

An Integrated Leadership event has been planned for 8<sup>th</sup> May 2019; The aim of this workshop is to help identify our ambitions, capacity and commitment to achieving a fully integrated health and care system. The workshop will help offer insight into where we are now and the right way forward. We have invited stakeholders from the health and social care system across Cheshire East in order that we can work on a place based approach.

Work is underway to create a single winter plan across Cheshire East, the single plan across Cheshire East would help identify:

- A single view of the overall Cheshire East problem (in regards to winter demand), a breakdown of the specific problems faced across CCG footprints as well as social care issues/problems across HWB footprint;
- The timescale for the implementation of winter schemes;
- Available funding;
- Lead organisations for winter schemes;
- Geographic coverage of the deployed scheme;
- Performance metrics which the schemes will impact against; and
- Reporting and governance requirements.

The BCF Governance Group continues to underpin the strategic approach towards health and social care

	<p>integration. A monthly highlight report covers progress to date, update on key areas of work, risks and issues.</p> <p>On a quarterly basis the local BCF performance is reported to the central national BCF team, this performance is reported through a standardised template. This template is then converted into a narrative report which gets reported to HWB each quarter.</p> <p>In order to meet and demonstrate a robust and clear outcomes framework for reporting, a monthly process for reporting across all schemes continues to operate, together with an integrated approach to data management across all three BCF partners in Cheshire East. Data leads from each organisation support the production of a performance dashboard which is produced on a monthly basis. This, along with the highlight report is supplied to the BCF Governance Board. The dashboard identifies the latest position in respect of a number of the national metrics. For the 2019/20 period a range of new schemes and descriptors have been produced these will be shared with partners in readiness for the assurance process for the 2019/20 plan.</p>
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<b>Designated Statutory Officers/Investigation and Disciplinary Committee</b> <i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i>	
<b>Description of Issue</b>	<p>During Q4 2016/17, concerns relating to officer conduct were received by the Deputy Monitoring Officer. In accordance with the processes put in place by Council in February 2017 to deal with such matters those concerns were then considered by the Council’s Investigation and Disciplinary Committee (IDC).</p> <p>Those processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review.</p>
<b>Responsibility</b>	Acting Chief Executive
<b>Proposed Action</b>	<p>The Investigation and Disciplinary Committee (IDC) processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive, and subsequently the Director of Legal Services and Monitoring Officer, whilst an investigation is undertaken.</p> <p>The decision to suspend is a neutral act and will be kept under review. The Council will continue to act appropriately to deal with any matters arising from those processes to ensure continuity of service provision and</p>

	organisational governance.
<b>Progress Update for AGS 2018/19</b>	<p>The Director of Legal Services and Monitoring Officer resigned with immediate effect in December 2017. The Chief Executive resigned with immediate effect in July 2018.</p> <p>The Chief Operating Officer resigned with immediate effect in April 2019. All matters being considered by the IDC have now concluded.</p> <p>A new corporate structure has been in place since the 1<sup>st</sup> April 2019. Council ratified the appointment to the Director of Governance and Compliance Services (Monitoring Officer) in May 2019, and has appointed to the post of Executive Director of Corporate Services. Interim arrangements are in place until posts are taken up.</p> <p>Staffing Committee considered the recruitment for Head of Paid Service on 28<sup>th</sup> June 2019. The Committee approved the job description and specification for the post, and the use of an Executive Search agency to advertise the post externally. Council endorsed the Committee’s recommendation on 18<sup>th</sup> July 2019.</p> <p>Following the completion of the current IDC, processes are being reviewed to identify recommendations for improvement. These have been considered by the Council’s Constitution Committee and approved by Council. Changes will be actioned through the Constitution Committee prior to inclusion in the Council’s Constitution. The Council plans to share its review and recommendations with the Local Government Association and the Society of Local Authority Chief Executives (SOLACE) once complete.</p>

<b>Land Purchases</b>	
<i>Recognised as a Significant Governance Issue in the 2016/17 AGS</i>	
<b>Description of Issue</b>	Early in 2017/18, the Acting Chief Executive and the Executive Director of Place and Acting Deputy Chief Executive requested that Internal Audit undertook a review of the Council’s arrangements for asset disposals and purchases. This was started in July 2017, and concerns have been identified over a number of acquisitions.
<b>Responsibility</b>	Internal Audit, reporting to the Acting Chief Executive
<b>Proposed</b>	Internal Audit work in this area is ongoing, and findings to date have been referred to the North West Regional

<b>Action</b>	<p>Organised Crime Unit for consideration and further investigation.</p> <p>The Council's external auditors have confirmed that their value for money conclusion for 2016/17 was qualified due to the findings identified and reported by Internal Audit.</p>
<b>Progress Update for AGS 2018/19</b>	<p>Internal Audit work in this area is now complete, although support is being provided to the ongoing police investigations.</p> <p>The service has responded positively to the Consolidated Findings report produced by Internal Audit and significant progress has been reported to Corporate Leadership Team.</p> <p>Progress is monitored by the Executive Director Place and a detailed follow up review will be undertaken by Internal Audit during 2019/20 to seek assurance that the previously identified issues have been addressed and the overall control environment is sufficiently robust to mitigate the associated risks</p>

<p><b>Holiday Pay</b> <i>Recognised as a Significant Governance Issue in the 2017/18 AGS</i></p>	
<b>Description of Issue</b>	<p>During the course of investigating and managing the Council's responsibilities in relation to sleep in payments, and developing case law on changes to holiday pay calculations, the Council has also identified that there could be a challenge over holiday pay.</p> <p>HR colleagues have undertaken work to understand the scale of this issue, and ensured the risks are being managed effectively, with regular reports being taken to the Corporate Leadership Team and briefings to the Portfolio Holder.</p>
<b>Responsibility</b>	<p>In addition to the actions already undertaken, work will continue to be undertaken to establish the potential impact of this changing case law on all Council services where staff earnings fluctuate which could affect future holiday pay liabilities both going forward and retrospectively to meet employment law compliance.</p>
<b>Proposed Action</b>	<p>The following actions have so far been undertaken:</p> <ul style="list-style-type: none"> <li>On going reports to CLT and ELT to discuss the legal and financial implications, as well as timescales and</li> </ul>

	<p>options available for completing this exercise;</p> <ul style="list-style-type: none"> <li>• Discussions with the Trade Unions on this matter continue; and</li> <li>• External and internal legal advice taken on this matter.</li> </ul> <p>The risk has been included in the HR Risk register but until the matter is quantified across all Council service areas the risk cannot be identified and assessed before putting on the corporate risk register.</p>
<p><b>Progress Update for AGS 2018/19</b></p>	<p>Throughout 2018/19, work has been ongoing to identify service areas that may have to review their holiday pay arrangements using a risk based approach. This included agreeing an action plan for each service to ensure future compliance.</p> <p>With the exception of Schools and Catering services, the risk assessment for all Council services and ASDVs is now complete. Schools and Catering services require a different method of calculation due to their contractual positions. Action is now required by services to provide details to allow the calculation of arrears where non-compliance has been identified and this is on-going.</p> <p>In relation to Care4CE all arrears calculations for Phase 1 (1<sup>st</sup> April 2017 to 31<sup>st</sup> October 2018) have been calculated and have been agreed and signed off for payment by the service and Corporate Leadership Team (CLT) for payment in May salaries. In addition some 45 grievances for sleep in and holiday pay have been heard and dealt with in line with Council procedures.</p> <p>Phase 2 arrears (1<sup>st</sup> November 2018 to 31<sup>st</sup> March 2019) are in the process of calculation during May/June and will also be paid in June /July salaries completing all arrears payments up to 1<sup>st</sup> April 2019</p> <p>In May 2019 CLT received a report regarding this progress and options for the way forward for future annual leave liabilities for this financial year. The costs of these arrears are included in the Medium Term Financial Strategy.</p> <p>Discussions with the trade unions continue and the Council has sent a Memorandum of Understanding to all unions for their sign up and support. The HR risk register and corporate risk registers will be updated to reflect</p>

	this progress.
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<b>Data Protection Breach</b> <i>Recognised as a Significant Governance Issue in the 2017/18 AGS</i>	
<b>Description of Issue</b>	<p>Data protection incidents are taken extremely seriously by the Council. The Council's information governance policies require suspected breaches to be reported and logged under the data breach management process. Reported incidents are considered by the Council's Information Governance Group, who advise on managing the incident, and also consider the need to self report incidents to the Information Commissioner's Office.</p> <p>In April 2018 the Information Governance Group considered an incident brought to its attention, and recommended that the Council should report the incident to the Information Commissioner's Office.</p> <p>The incident has now been reported. Further details will not be provided whilst the ICO is considering the report and undertaking any further investigation required. The Council is co-operating fully with the ICO.</p> <p>Breaching the Data Protection Act contravenes the Council's Code of Conduct for both Officers and Members. Further internal investigations are also underway to ensure any improvement actions are identified and undertaken, and that any disciplinary or Standards issues are also addressed.</p>
<b>Responsibility</b>	Acting Chief Executive
<b>Proposed Action</b>	The incident has been reported to the ICO and the Council is co-operating fully with the ICO.
<b>Progress Update for AGS 2018/19</b>	<p>The Council co-operated fully with the ICO following the reporting of the incident and in June 2019 received confirmation from the ICO that they will be taking no further action.</p> <p>The Council's Information Governance Group has ensured that there are regular reminders about the importance of good information management and handling sent out through the organisation in Team Voice and via the organisation's intranet.</p>

	<p>Information governance is covered at the corporate induction sessions, and the Information Assurance and Data Management programme has held regular workshops across each directorate to engage and promote with teams on adopting best practice.</p> <p>The Council's mandatory information governance training on protecting and managing information has been updated and all staff need to have completed this by August 2019.</p> <p>Data protection and information governance for Members has been covered in initial induction for new Members following the May election and will form part of ongoing Member training.</p>
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**8. Significant Governance Issues 2018/19**

8.1. The significant governance issues the Council recognises as arising during 2018/19 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.

Description	Actions	Responsibility
<p><b><u>Proposed Change to the Committee system of Governance</u></b></p> <p>Following the change in political leadership in May 2019, the Council will be exploring a change from the Leader and Cabinet Model of governance to the implementation of a full Committee model of governance.</p> <p>This will be developed during 2019/20 with a view to taking effect from the beginning of the 2020/21 Municipal Year subject to a legally and constitutionally robust process, led by the Council's Constitution Committee, and agreed by Council.</p>	<p>The change in the Council's decision making arrangements and governance framework will be undertaken through the Council's Constitution Committee and Council to ensure that the process of change is legally compliant and delivers the intended outcome.</p>	<p>Acting Chief Executive.</p>
<p><b><u>Replacement of the Council's Core Financial Systems</u></b></p> <p>The Council is in the process of replacing its existing Enterprise Resource Planning (ERP) system, in a joint project with Cheshire West and Chester Council.</p> <p>This will see the replacement of the existing Oracle system including core modules covering accounts payable, income and payroll.</p>	<p>The governance model adopted to deliver the replacement business system recognises the significance of the change required and risk involved in project delivery.</p> <p>Member involvement has been set up through the Shared Services Joint Committee and a specific joint scrutiny working group.</p>	<p>Executive Director of Corporate Services.</p> <p>Executive Director of Place and Acting Deputy</p>

Description	Actions	Responsibility
<p>The new system will achieve business efficiencies through changes in the software and supporting business processes. Change in the Council's core business system needs to be carefully managed to ensure the new system is fit for purpose that the change over managed with minimal disruption, and that the transition to new business processes is successfully implemented to deliver the intended benefits.</p>	<p>Programme delivery is monitored by a Programme Board; this is attended by the external implementation partner and is supported by a jointly staffed internal team which has been involved from the procurement stage.</p> <p>The Councils' Internal Audit teams are undertaking a joint programme of review and assurance throughout the implementation of the replacement and ahead of the new system going live.</p>	<p>Chief Executive.</p>

Appendix 1: The Governance Framework 2018/19

