

# **CHESHIRE EAST COUNCIL**

Minutes of a meeting of the **Audit and Governance Committee**  
held on Thursday, 30th May, 2024 in the Capesthorne Room, Macclesfield  
Town Hall, SK10 1EA

## **PRESENT**

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

Councillors B Drake, S Adams, C Hilliard, G Marshall, P Redstone and  
J Snowball

## **OFFICERS IN ATTENDANCE**

David Brown, Director of Governance and Compliance  
Adele Taylor, Interim Director of Finance and Customer Services  
Josie Griffiths, Head of Audit and Risk Management  
Michael Todd, Internal Audit Manager  
Tracy Baldwin, Principal Accountant  
Abigail Rushton, Senior Manager Workforce Development  
Claire Williamson, Director of Education, Strong Start and Integration  
Alex Cooper, Project Manager – Education  
Julie Gregory, Legal Team Manager  
Nikki Bishop, Democratic Services Officer

### **1 APOLOGIES FOR ABSENCE**

Apologies were received from Councillor A Heler.

### **2 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **3 MINUTES OF PREVIOUS MEETING**

#### **RESOLVED:**

That the minutes of the meeting held on Thursday 7 March 2024 be  
agreed as a correct record and signed by the Chair.

### **4 PUBLIC SPEAKING TIME/OPEN SESSION**

There were no members of the public registered to speak.

Councillor R Bailey addressed the committee as a visiting member and  
spoke on a number of matters, as summarised below.

Cllr Bailey thanked the Monitoring Officer for his detailed response on the costs of standards complaints. Cllr Bailey highlighted to the committee the costs of investigations relating to both Sandbach Town Council and Handforth Parish Council stating that whilst the work undertaken was not without cost, was vital to ensuring that the standards system was upheld. Cllr Bailey highlighted that the Audit and Governance Committee had considered the Member Code of Conduct Report relating to Handforth Parish Council in 2022 but had not considered the report of Sandbach Town Council. Cllr Bailey urged committee members to address this inconsistency.

Cllr Bailey referred to the minutes of the previous meeting and the member of the public that addressed the committee in relation to the potential impact of acting up arrangements within the organisational structure. Cllr Bailey asked committee members to listen to the audio-recording of the meeting where it was debated and suggested that an item subsequently be added to the committee work programme.

On the Annual Governance Statement, Cllr Bailey raised concerns in relation to both the planning backlog and the impact of the delayed implementation of the IT system for Planning and Land Charges. Cllr Bailey suggested that this matter should be considered further by the committee.

Lastly, Cllr Bailey spoke in relation to the Work Programme and highlighted that a recent FOI response confirmed that a significant amount of monies had not been utilised by the council from developer contributions. Cllr Bailey asked the committee when it would consider S106 matters in the public part of a committee meeting.

## 5 ACTION LOG

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

### Skills Audit Assessment / Good Practice Briefing Notes

It was confirmed that the self-assessment questionnaire had been circulated to the committee, and that members needed to complete this by 7 June 2024. It was confirmed that the results of the questionnaires would be analysed and would help inform a detailed training plan and good practice briefing notes for the committee. It was confirmed that a progress review would be considered at the July committee meeting however officers would seek to develop a plan in correspondence with members before this. Cllr Adams requested that officers consider how training could be developed for all members to scrutinise and challenge within service committees.

HR strategic risks – it was confirmed that an informal briefing had taken place with the Head of HR and committee members, with detailed responses to questions circulated.

S106 Update – it was noted that Internal Audit were working with planning colleagues and that an update on the current position and actions of the Community Infrastructure Levy would be circulated.

Members noted the updates provided and made the following comments:

External audit findings on B4B – the committee confirmed that they would be keen to look into this area further to receive assurance that the system was producing the best results for officers, members and residents (overall costs, potential overspend on this project and what lessons could be learnt going forward when taking on similar projects).

S106 Update – the committee welcomed the proposal to receive an internal audit review update on S106 in July 2024. It was highlighted that, at the meeting on 19 September 2023, 19 actions had been identified. The committee agreed that any update should include progress on implementation and impact of these actions.

HR Strategic Risks – Members noted the update provided in relation to the process for exit interviews and how results from these interviews are analysed and shared with senior managers. It was noted that key themes from both the Pulse Survey and exit interviews were considered by senior managers when developing Service Business Plans. Officers committed to providing a headline summary of the key themes and figures of those joining/leaving the organisation. Members raised concerns in relation to the number of interim appointments/acting up arrangements and capacity within the senior management team. Members sought an update to provide a holistic view of the current position and direction of travel. Officers committed to progressing this further for the committee.

## **6 COMPANIES AUDITED FINANCIAL STATEMENTS, EXTERNAL AUDIT FINDINGS AND ACTION PLAN 2022/2023**

The committee considered the report which presented the audited financial statements of ANSA Environmental Services Ltd and Orbitas Bereavement Services Ltd for the year 2022-23, and the summary of findings from Grant Thornton, the Group of Companies' external auditors 2022-23. It was noted that, as a result of the audit work, no material changes had been made since the summary of accounts was presented to the committee on 8 June 2023. It was highlighted that an unqualified opinion had been given for both companies.

Members of the committee raised the following:

It was noted that the revised Company Shareholder Agreement had not yet been signed off and enacted by either company. Officers confirmed that they were actively pursuing this and would seek further clarification from the companies.

Members raised concerns in relation to administrative expenses and the failure to obtain receipts for all transactions on employee's company purchase card statements. It was highlighted that, for 2023-24, additional procedures had been introduced to ensure receipts were provided as part of a monthly monitoring process. Members noted the management process for dealing with non-compliance and requested details as to how many times this process had been acted upon. Officers committed to providing a written response.

Members queried the role of non-Executive Directors of the Wholly Owned Companies and the governance of these companies. It was proposed that an informal briefing be arranged for the committee prior to the Finance Sub Committee 21 June 2024 which would consider the governance of the companies in detail. It was suggested that the committee consider establishing a Working Group following this informal briefing to understand and consider in detail any implications and changes in relationships.

## **7 UPDATE ON THE GOVERNANCE ARRANGEMENTS OF THE DEDICATED SCHOOLS GRANT MANAGEMENT PLAN 2024/25 TO 2030/31**

The committee received the report which provided an overview of the Designated Schools Grant (DSG) Management Plan 2024-25 to 2030-31. The committee noted the governance arrangements, resource and capability in place to deliver the management plan.

Cllr Clowes addressed the committee as a visiting member. Cllr Clowes stated that the Audit and Governance Committee were charged with assessing strategic fiscal probity of actions taken by the council and highlighted the importance of the committee focusing on the budgeting aspects of DSG stating that a coherent accounting tool to trace progression and regression of DSG financial mitigation was needed as soon as possible. Cllr Clowes also referred to the formation of the new DSG Management Board and its membership, urging that the terms of reference be shared with the committee.

Members received assurance that the service had the leadership capacity and skills required to deliver the DSG management plan. It was confirmed that the service was building a transformation team and assessing how to build the skills and team needed to deliver the DfE endorsed plan.

Members queried:

- The balance of EHCPs for both academies and local authority-maintained schools.
- Overall number/availability of SEN placements within Cheshire East.
- Overall number of out of borough SEN placements and plans to build additional capacity and deliver more in-borough placements.
- Number of children in Cheshire East placed in private schools out of borough.

- Compliance with statutory duty, and if this would override financial considerations.

Officers committed to providing a written response but highlighted that positive work was already underway with schools to improve inclusiveness and supporting children to remain in mainstream provision. It was confirmed that the local authority had recently expanded Springfield Special School and had received a capital bid agreement to build more places going forward.

The committee noted that the service was continuing with work with its government advisor and that the financial forecasts detailed in the plan would be remodelled with the DfE over a number of weeks following a un-forecasted £10.1m saving which would ultimately reduce the overall £285m funding gap.

The committee acknowledged the significant challenge facing officers, and the difficult task it was to balance expanding demands without adequate financial arrangements for meeting such demands. The committee thanked Claire Williamson and her team for the significant amount of work undertaken so far, recognising the energy, effort and commitment needed.

**RESOLVED:**

That the Audit and Governance Committee

1. Note the report which outlines the progress of the DSG Management Plan based on the outturn financial DSG High Needs position.
2. Note that monthly reports will be provided to the Children and Families Committee, providing a breakdown on progress of the Management Plan based on the agreed mitigated outcomes of the Plan from April 2024 onwards.
3. Note the monthly reporting schedule for the Children and Families Committee to scrutinise progress against the plan.

**8 ANNUAL GOVERNANCE STATEMENT 2022-23 ACTIONS - PROGRESS UPDATE**

The committee considered the report which updated on the implementation of actions identified in the 2022-23 Annual Governance Statement to improve governance arrangements and the proposed production process for the 2023-24 Annual Governance Statement.

Cllr Clowes addressed the committee as a visiting member and referred to the recommendation that the Health and Social Care item be removed from future statements. Cllr Clowes urged the committee to reconsider this recommendation, noting that whilst significant progress had been made in

this area, social care still remained the largest area of statutory spend for the council.

It was proposed, seconded and subsequently carried that the AGS issue relating to Health and Social Care remain on future statements.

Members agreed that council funding remained a significant issue and noted progress made to date. It was clarified that the council was legally required to set a balanced budget for the forthcoming year, however a clear plan for the forthcoming 4-year period was essential for financial planning purposes and had to be based on assumptions, as the council did not receive multi-year settlements.

The committee queried how DSG could be impacted by academisation, officers committed to providing a written response.

**RESOLVED:**

That the Audit and Governance Committee

1. Approve the updates provided on the significant issue reported in the 2022-23 Annual Governance Statement.
2. Approve the process for the production of the 2023-24 Annual Governance Statement, as set out within the officer report.
3. Agree that the AGS issue relating to Health and Social Care remain on future statements.

**9 INTERNAL AUDIT UPDATE - PROGRESS AGAINST INTERNAL AUDIT PLAN Q3/Q4 2023-24**

The committee considered the report which updated on work undertaken by Internal Audit between April 2023 and March 2024. Members noted the work being completed during April 2024 and that this would contribute to the Annual Internal Audit Opinion for 2023-24.

Members noted that a final internal audit opinion could not be provided until all work had been completed however it was confirmed that some form of limitation would likely be required.

Councillor Clowes addressed the committee as a visiting member and raised concerns in relation to some of the satisfactory ratings for Unit4 financial controls. Cllr Clowes also sought assurance relating to purchase cards for Adults and Health and Children and Families and the anticipated limited assurance rating.

Officers confirmed that the audit review concerning Unit 4 Financial Controls focussed on the existence of key controls in the design of the

system rather than how the system was operating in practice. As a shared service, this work was undertaken jointly with Cheshire West and Chester Council. It was confirmed that the audit review concerning Unit 4 Exception Payments focussed on the use of payment forms where the normal procedure of raising a Purchase Order/invoice had not been used. The outcome found that where forms were used, satisfactory assurance could be given in this area.

Members queried the history of the Dedicated Schools Grant and what elements may have contributed to the deficit position and whether this could be. It was agreed that the priority was for officers to deliver the plan.

Members sought assurance on the Pothole Challenge grant received from the Department of Transport during 2023-24 and how this grant had been spent. Officers committed to providing a written response.

**RESOLVED:**

That the Audit and Governance Committee

1. Note the contents of the Internal Audit Update Report 2023-24 (Appendix A).

**10 WORK PROGRAMME**

The committee considered the Work Programme. The following updates were noted:

Arising from the discussions in the meeting, consideration would be given as to how best to update the committee on the following matters:

- Wholly Owned Company governance arrangements.
- Senior Leadership Capacity across the organisation.
- Unit4/ B4B (officers committed to recirculating previous pieces of assurance work undertaken in this area for the benefit of the new committee).

It was confirmed that the July report 'Progress against CIPFA Review actions' would include an update on the outcome of the committee skills survey in developing the training plan for the committee.

*Councillor C Hillard left the meeting at 1.00pm and did not return.*

**11 RISK MANAGEMENT Q3 2023-24**

The committee considered the report which provided an update on risk management activity during Q3 2023-24. Members considered the council's Strategic Risk Register and the equivalent level risk registers of

the council's wholly owned companies; Orbitas, Tatton Park Enterprises and ANSA.

The committee raised a number of questions as summarised below:

Recruitment and Retention – Members queried staff benefit packages and highlighted that Cheshire East allowed staff to spend up to £2,500 through the Cycle to Work Scheme, while the council's wholly owned companies allowed staff to spend up to £10,000. Members sought assurance that steps were being taken to address this inequality and asked what benchmarking had been undertaken in this area. Officers committed to providing a written response.

Stakeholder Expectations – Members raised concerns in relation to Equality Impact Assessments delivered by the Council. Members felt that improvement in this area was needed to ensure decisions made by the council were not at risk of legal challenge. Members requested further detail as to how these assessments were conducted, the criteria that applies and the challenge given by senior officers. Officers committed to providing a written response.

Overall impact – it was highlighted that several risks were systemic issues and would have an effect across the board - leadership capacity, recruitment and retention, and the ability to achieve organisational change. Members asked how significant an impact were these upon the other risks laid out in the register, and if a significant area was targeted with resources, where would we best target to reduce the council's risks over the entire estate.

#### **RESOLVED:**

That the Audit and Governance Committee

1. Notes the position with the Council's Strategic Risk Register, and those of the wholly-owned companies, for Quarter 3 2023/24 in respect of the content, description, scoring and risk management activity outlined.

### **13 RISK MANAGEMENT Q3 2023-24**

The committee considered the report which detailed the Wholly Owned Company, ANSA's, risk register for Q3 2023-24.

#### **RESOLVED (unanimously):**

That the Audit and Governance Committee note the report.



The meeting commenced at 10.00 am and concluded at 1.25 pm

Councillor M Beanland (Chair)