

Governance & Constitution Committee

Agenda

Date: Wednesday, 30th September, 2009
Time: 2.00 pm
Venue: Council Chamber, Municipal Buildings, Earle Street, Crewe
CW1 2BJ

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

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

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any personal and/or prejudicial interests in any item on the agenda

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

In accordance with Procedure Rules Nos.11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the Committee. Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

Note: In order for officers to undertake any background research it would be helpful if questions were submitted at least one working day before the meeting.

4. **Minutes of Previous meeting** (Pages 1 - 6)

To approve the Minutes of the meeting held on 25 June 2009.

5. **2008-09 Annual Governance Reports for the former authorities of Cheshire East Borough Council** (Pages 7 - 96)

To receive and comment on the Annual Governance Reports for 2008/09 for the former authorities of Cheshire East Borough Council.

6. **Internal Audit Strategy** (Pages 97 - 104)

To present the Internal Audit Strategy to the Committee.

7. **Internal Audit Plan 2009/10 and Update Report** (Pages 105 - 124)

To update the Governance and Constitution Committee on the full audit plan 2009/10, summarise work during the first five months, highlight any key audit issues arising and describe future working arrangements.

8. **Delegation of Licensing Functions (Expedited Reviews)** (Pages 125 - 128)

To advise the Committee of a delegation of functions in relation to expedited reviews under the Licensing Act 2003 from the full Licensing Committee to the Licensing Sub-Committee and to seek approval for the resulting changes to the Constitution.

9. **Funding Parish Elections** (Pages 129 - 132)

To determine the Council's future policy on the funding of parish elections.

10. **Review of Appointments to Outside Organisations** (Pages 133 - 142)

To consider a progress report on the work of the Task Group (Outside Organisations), and to consider a number of appointments to outside bodies.

11. **Member Development Strategy 2009/2010 and Policy Statement 2009/2010** (Pages 143 - 166)

To approve and adopt the Member Development Strategy and Policy Statement for Cheshire East Council.

12. **Appointment of Member Development Champions** (Pages 167 - 172)

To consider the role description for the position of Member Development Champion and the nominations for the position.

13. **Members' Allowances Scheme 2009/2010** (Pages 173 - 188)

To consider reconvening the Independent Remuneration Panel for the purpose of reviewing the Members' Allowances Scheme for 2009/2010, and considering an additional paper relating to associated allowances.

14. **Local Ward Members' Protocol and the Councillor Call for Action Protocol** (Pages 189 - 202)

To consider a Local Ward Members' Protocol and a Councillor's Call for Action Protocol which will strengthen Member involvement at Ward level through the provision of timely, relevant information on local issues.

15. **Public and Member Questions and Statements at Meetings** (Pages 203 - 212)

To consider the recommendations of the Corporate Scrutiny Committee and Cabinet with regard to public and Member questions and statements at meetings, and consider whether, in light of those recommendations, to make recommendations to Council to amend the relevant provisions of the Constitution.

16. **Cabinet Decision-Making Arrangements** (Pages 213 - 218)

To consider proposed changes to the existing Cabinet Decision-Making arrangements and to make a recommendation to Council in order for changes to be made to the Constitution.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Governance & Constitution Committee**
held on Thursday, 25th June, 2009 at Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor A Ranfield (Chairman)
Councillor A Kolker (Vice-Chairman)

Councillors M Asquith, D Cannon, R Cartlidge, S Jones, R Menlove, G Merry,
A Moran, R Parker, D Topping, R West and P Whiteley

Substitute

Councillor B Livesley

In attendance

Councillor F Keegan

Apologies

Councillors S Bentley

Officers present

Brian Reed, Democratic Services Manager
Andrew Leadbetter, Legal Services Manager
Lisa Quinn, Borough Treasurer and Head of Assets
Christine Mann, Finance Manager
Vivienne Quayle, Internal Audit Manager
Paul Mountford, Democratic Services Officer
Paul Goodwin, Finance
Sandra Shorter, People Department

113 DECLARATIONS OF INTEREST

There were no declarations of interest.

114 PUBLIC SPEAKING TIME/OPEN SESSION

There were no members of the public wishing to speak or ask a question.

115 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting held on 21 May 2009 be approved as a correct record.

116 **FINAL ACCOUNTS 2008/09**

Members considered a report on the Draft Statement of Accounts 2008/09 which had to be approved by 30 June 2009 in accordance with the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006.

A Member briefing session had been held immediately prior to the meeting.

The report outlined the revenue outturn and capital programme positions of the former Macclesfield, Congleton and Crewe and Nantwich Borough Councils, highlighting particular financial management and reporting issues where appropriate. The report also dealt with a number of issues common to all sets of accounts, including LGR-related expenditure and performance reward grants. An updated report on the revenue outturn for Macclesfield Borough Council was circulated at the meeting.

Officers confirmed that the final accounts would be available for public inspection at Council offices and libraries in July, with comments to be submitted to the Council by 3rd August.

Arising from the discussion, Officers undertook to circulate to Members of the Committee details of the approach used by the Council's Valuer in valuing land and buildings.

RESOLVED

That the Draft Statement of Accounts for 2008/09 for the following former authorities of Cheshire East Borough Council be approved:

- Crewe and Nantwich Borough Council
- Macclesfield Borough Council
- Congleton Borough Council

117 **AUDIT COMMISSION AUDIT FEE 2009/10**

Members considered a report on the Audit Commission's draft Cheshire East Audit fee letter for 2009/10. The letter was appended to the report and set out the proposed audit work for 2009/10 and the associated fee.

Judith Tench of the Audit Commission attended the meeting to present the Commission's proposal and answer questions.

Keith Ward of Baker Tilly also attended the meeting to advise Members on the audit process.

The draft Audit fee letter set out the audit work to be undertaken during the year in relation to the financial statements, the Use of Resources assessment and Value for Money conclusion (which formed part of the

Comprehensive Area Assessment), and certification of grant claims and returns.

Audited bodies were required by statute to meet the cost of audit as specified by the appointed auditors, and the associated charges were therefore unavoidable. The proposed audit fee for 2009/10 was £401,925 (exclusive of VAT). This was based on the Audit Commission's national fee rate with an uplift of 15% to reflect the perceived risks likely to impact the 2009/10 accounts. The base budget for audit fees, inherited from the predecessor councils, totalled £299,557. The quoted audit fee for 2009/10 therefore exceeded the budget provision by £102,368. This overspend would fall to be met from council balances as there was no contingency provision to cover the additional costs.

The Audit Commission had indicated, however, that the fee would be reviewed throughout the year as their risk assessment was updated and refined. There was scope, therefore, to mitigate the potential budget shortfall. The Officers confirmed that there was scope to reduce the level of fee by adopting the risk management approach outlined in the report. This could eliminate some or all of the 15% risk element of the fee, which would reduce the potential overspend by up to £52,425.

Keith Ward advised that the key risks affecting the Audit Plan were the impact of LGR in terms of transitional and restructuring costs, and the authority's core financial systems which were still being developed. He added that the Governance Statement was a key component and he needed to be satisfied that it was consistent with the rest of the Plan. He congratulated the Council on maintaining three independent teams for the purpose of producing the final accounts of the former District Councils.

At the conclusion of the discussion, the Chairman thanked Judith Tench and Keith Ward for their attendance.

RESOLVED

That the Audit Commission's audit fees letter for 2009/10 be received and the proposed work programme, indicative fee and associated budgetary implications be noted.

118 ADDITIONAL FUNCTIONS – HEAD OF SAFER AND STRONGER COMMUNITIES

Members considered a proposed amendment to the Powers of Officers within the Constitution to include a range of powers and responsibilities relating to the safer and stronger communities function.

A list of legislation appeared in the Appendix to the report. An updated version of the list was circulated at the meeting.

The proposed changes to the Constitution would bring environmental health functions into line with the approach adopted in respect of trading standards and licensing legislation.

RESOLVED

That Council be recommended to agree

- (1) that the list of legislation as amended and re-circulated at the meeting be added to the list in the Appendix to the "Powers and Responsibilities of Officers" (section of Part 3 of the Constitution) which will have the effect of bringing responsibility for this legislation within the remit of the Head of Safer and Stronger Communities by virtue of paragraph 25.1.2 of that Part; and
- (2) that such consequential amendments be made to the Constitution as the Borough Solicitor considers are necessary to give effect to the wishes of Council.

119 **ATTENDANCE BY SUBSTITUTE MEMBERS AT PLANNING MEETINGS**

The Chairman agreed to the consideration of this matter as an item of urgent business in accordance with Paragraph 37.2 of the Committee Procedure Rules. The item was considered urgent because the Committee was required to give advice to Council at its next meeting.

The report proposed alternative arrangements to restrict the appointment of substitute members for planning matters.

The Local Government and Housing Act 1989 prescribed a regime of proportional representation for political groups on Committees. The Local Government (Committees and Political Groups) Regulations 1990 ("the Regulations") provided more detailed working rules, in particular that seats allocated to political groups could only be filled by the nominations of the Group Leaders (not by Council or a Committee) and that seat allocations must be revisited at least annually and at or as soon as possible after the first meeting of the authority each year.

The responsibility for constitutional change and for the allocation of seats to groups rested with full Council on the advice of the Governance and Constitution Committee. Council had given the Strategic Planning Board special powers regarding the makeup of planning committees.

A protocol within the Constitution provided that no Member could sit or be a substitute on a planning committee without planning training. The Strategic Planning Board now proposed further restrictions. At its meeting on 17 June, the Board recommended to the Governance and Constitution Committee and Council "that the scheme of substitution in the Constitution be amended as follows:

(a) No substitution shall be made to the North Area Planning Committee except with a Member from the South Area Planning Committee and vice versa. The substitute Member should wherever possible come from the same political group but may come from a different political group.

(b) No substitutions shall be made to the Strategic Planning Board from the area committees or at all.”

The Governance and Constitution Committee, having considered the proposals and the reasons given for them as set out in the report to the Board, felt unable to support the Board’s recommendation (b).

RESOLVED

That Council be recommended that the scheme of substitution in the Constitution be amended as follows:

“No substitution be made to the North Area Planning Committee except with a Member from the South Area Planning Committee and vice versa. The substitute Member should, wherever possible, come from the same political group but may come from a different political group.”

120 TERMS OF REFERENCE FOR INTERNAL AUDIT

Members considered a report on suggested Terms of Reference for the Internal Audit function at Cheshire East Council.

It was considered good practice to clarify and explain the terms of reference for the Internal Audit function by setting them out in a formal document. This was in accordance with CIPFA’s Code of Practice for Internal Audit in Local Government 2006.

RESOLVED

That the Terms of Reference for the Internal Audit function at Cheshire East as set out in Appendix A to the report be approved.

121 DRAFT RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGIES

Members considered a proposed risk management strategy designed to take risk management forward and enable the corporate strategic risk register to be compiled.

Risk management was a fundamental element of corporate governance, and was integral to all areas of the Council’s activities. Business Continuity Management, aimed at ensuring that the Council was a resilient organisation, capable of delivering its critical services regardless of any

unforeseen event, was an essential element of risk management, and needed to be managed within the risk management framework.

RESOLVED

That Cabinet be recommended that

- (1) the Risk Management and Business Continuity Strategies attached as Appendices to the report be approved; and
- (2) a Member representative be included in meetings of the Corporate Risk Management Group.

122 **AMENDMENTS TO FINANCE AND CONTRACT PROCEDURE RULES**

Members considered a report setting out proposed amendments to the Finance and Contract Procedure Rules.

The Rules were part of the Council's framework for financial control and required periodic review to ensure that resources were used in the most effective way.

During the first few months of the new Council, various issues had been highlighted where Finance and Contract Procedure Rules required amendment. Those amendments considered to be non-substantive had been approved by the Borough Solicitor under the authority delegated to him, following consultation with the Group Whips. Those amendments considered to be more substantive were set out in the Appendix to the report.

RESOLVED

That Council be recommended that

- (1) the amendments to the Finance and Contract Procedure Rules as set out in the Appendix be approved; and
- (2) the Borough Solicitor be authorised to continue to exercise his corrective powers with regard to the Constitution in those cases where he considers it appropriate to do so.

The meeting commenced at 3.00 pm and concluded at 5.14 pm

Councillor A Ranfield (Chairman)

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting:	30 September 2009
Report of:	Borough Treasurer
Subject/Title:	2008-09 Annual Governance Reports for the former authorities of Cheshire East Borough Council
Portfolio Holder:	Councillor Frank Keegan

1.0 Report Summary

- 1.1 The purpose of this report is to advise Members that the external auditors have produced the 2008-09 Annual Governance Reports for the former authorities of Cheshire East Borough Council comprising:

- Cheshire County Council
- Crewe and Nantwich Borough Council
- Congleton Borough Council
- Macclesfield Borough Council

2.0 Recommendations

That the Committee

- (1) receive and comment on the Annual Governance Reports for 2008/09 for the former authorities of Cheshire East Borough Council; and
- (2) approve the final Statement of Accounts for 2008/09 and for the Chairman of the Committee to sign the letters of representation for the following former authorities of Cheshire East Borough Council.

- Crewe and Nantwich Borough Council
- Congleton Borough Council
- Macclesfield Borough Council

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance and the Annual Governance Reports are appended to this report. The reports present the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2008/09.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

**6.0 Policy Implications including - Climate change
- Health**

6.1 None.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

7.1 As covered in the report.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

8.1 As covered in the report.

9.0 Legal Implications (Authorised by the Borough Solicitor)

9.1 None.

10.0 Risk Management

10.1 The Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) Regulations 2006, require the Financial Statement of Accounts to be published by 30 September 2009.

10.2 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

11.0 Background and Options

11.1 The draft Statement of Accounts for 2008-09 for the former district authorities of Cheshire East Borough Council were reported to the Governance and Constitution Committee on 25th June 2009.

11.2 Following the approval of the draft accounts on 25th June 2009, the external audit has now taken place. The auditors are responsible for giving an opinion on:

- whether the accounts present fairly the financial position of the authority and its expenditure and income for the year in question
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

- 11.3 The findings, conclusions and recommendations from the audit work undertaken by the appointed auditors for the former authorities of Cheshire East Borough Council are included in the Annual Governance Reports, attached as appendices to this report.

Appendix A – Cheshire County Council

Appendix B – Crewe and Nantwich Borough Council

Appendix C – Congleton Borough Council

Appendix D– Macclesfield Borough Council (to follow)

- 11.4 Cheshire West and Chester are the responsible authority for the closure of accounts for Cheshire County Council. The Department of Communities and Local Government (DCLG) recognised that issues could arise during preparation or audit that could have a material impact on the opening financial position for Cheshire East and therefore the Audit Commission is required to report on the Annual Governance report for Cheshire County Council to both authorities.

12.0 Overview of Year One and Term One Issues

- 12.1 Following the approval and publication of the accounts work will commence on producing the opening balance sheet position for Cheshire East Borough Council.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Lisa Quinn

Designation: Borough Treasurer

Tel No: (01270) 686628

Email: lisa.quinn@cheshireeast.gov.uk

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Annual Governance Report

Cheshire County Council

Audit 2008/09

September 2009

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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	5
Financial statements free from material error	Yes	5
Adequate internal control environment	Yes	5
Use of resources		
Arrangements to secure value for money	Yes	10

Financial statements

- 1 My audit of the former Cheshire County Council is substantially complete. Once the small number of issues outstanding has been resolved and I have completed any outstanding work, I expect to issue an unqualified opinion on the financial statements. A copy of my draft auditor's report is included at Appendix 1.
- 2 My audit of the Cheshire Pension Fund will be reported in a separate Annual Governance Report which will be issued shortly. There are some significant issues outstanding in relation to the financial statements relating to the Pension Fund. If necessary I will include an amended version of my auditor's report for Cheshire County Council with the Pension Fund Annual Governance report.
- 3 The financial statements submitted for audit contained no material errors. We report some amendments made to the statements following our audit, but none of these are considered to be material. Details of these are listed at appendix 2.
- 4 The arrangements for financial reporting in 2008/09 have remained good. This has been a significant achievement given the changes and uncertainties linked to local government reorganisation in Cheshire. The financial statements were well prepared and well supported by working papers. Some progress has been made in taking action in response to recommendations in last year's report. For example, the payroll bank account was reconciled at 31 March 2009. However, there are ongoing problems with reconciling the County Fund bank account. Changes have been made to business processes to ensure that the equivalent account in the two new unitary authorities is fully reconciled on monthly basis.

Use of resources

- 5 My work in relation to assessing the County Council's arrangements for securing economy, efficiency and effectiveness in its use of resources is complete. I intend to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.

Audit fees

- 6 In our audit plan, the fee for the audit was based on our best estimate at the time and was agreed at £219,152. We reviewed the estimate again in March 2009 and concluded that the original fee planning assumptions were still valid at that stage. Some additional testing relating to local government reorganisation has been necessary and following the conclusion of the audit I will discuss the fee implications of this with the Director of Resources alongside my ongoing audit of Cheshire West and Chester for 2009/10.

Next steps

- 7 This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you. I therefore ask the Audit and Governance Committee to:
- consider the matters raised in this report before approving the financial statements (pages 5 to 9);
 - take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
 - take note of the VFM Conclusion (page 10);
 - approve the letter of representation before I issue my opinion and conclusion (Appendix 3); and
 - agree the recommendations contained in the report.
- 8 The recommendations included in this report and in the reports for other demised bodies in the west and east of the former County will be consolidated in respective action plans for consideration by Cheshire West and Chester Council and Cheshire East Council in the future.

Financial statements

The financial statements and annual governance statement are important means by which councils account for the stewardship of public funds. As Cheshire West and Chester Council members you have final responsibility for the financial statements relating to the former Cheshire County Council. It is important that you consider my findings before the financial statements are authorised for issue.

Opinion on the financial statements

- 9 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the former County council's financial statements. Appendix 1 contains a copy of my draft audit report. The outstanding matters relate to:
- residual testing of accounting entries and subsequent management review; and
 - review of the amended financial statements
- 10 I am also required to issue an opinion on the Pension Fund accounts for the first time this year. There are some significant issues outstanding in relation to the Pension Fund accounts. For this reason it has been necessary to delay the issue of the Pension Fund Annual Governance report. I will issue this report as soon as possible and inform members of any impact the resolution of the issues might have on my auditor's report.

Amendments to the financial statements

- 11 I have not identified any material errors in the financial statements and there is just one significant amendment that has been made to the financial statements during the audit. Transition costs incurred by the Council in 2008/09 amounted to £21.6m. These were classified in the Income and Expenditure Account as service costs (£1.4m), exceptional items (£13.4m) and as non distributed costs (£6.8m). The accounts have been amended to show all the costs as exceptional items except for £1.4 m of costs which are still classified as service expenditure.
- 12 Several other small accounting errors identified during the audit have been amended. Details of the amendments are shown in Appendix 2 together with a note of the more significant amendments to the disclosures to the accounts.

Internal control

- 13 I have reviewed the Council's system of internal control and found no material weaknesses. My audit work included testing of controls in the main financial systems. Where appropriate I placed reliance on these controls in order to reduce the amount of detailed testing required during the final audit visit.

- 14** Officers made progress during 2008/09 in resolving the problems which were causing reconciliation differences between bank account and the ledger. For the first time in several years the payroll and payments accounts were reconciled to the ledger at 31 March 2009. However, a reconciliation difference of £0.33m was reported on the general fund bank account reconciliation at the year end. Officers have reported that the difference is primarily due to timing issues with the running of reports at year end, with £0.07m relating to problems in clearing a suspense account which contains receipts requiring adjustment (reversed receipts). The income team has adopted revised business processes for reconciling reversed receipts from 1 April 2009. The council fund bank accounts for the two new authorities have been reconciled in the first few months of 2009/10. Officers are continuing to monitor and reconcile the county fund account through to its closure, when any remaining unreconciled difference will be written off.
- 15** The County Council had investments of £8.5m in Heritable Bank which was placed into administration on 6 October 2008. The Council's investment was immediately frozen pending determination of assets and liabilities by the administrator. In response to this significant event and the wider crisis in the financial markets, the Council approved changes to the list of institutions which the Council could lend to. Further changes were subsequently made to remove other banks from the list, whose credit ratings were felt to be falling. The Council also used cash balances to temporarily fund capital expenditure, thus reducing the exposure to investment risks. Whilst we have not identified any significant control weaknesses in the former County Council's investment arrangements, members should reflect on the County's experiences and learning, to ensure that the arrangements in the new councils provide for:
- scrutiny of policies and procedures by a specialist committee who have been provided with specialist training;
 - regular reports to members on the full range of risks being taken; and
 - use of the fullest range of information available before deciding where to deposit funds.
- 16** We will be reviewing the treasury management arrangements for the two new councils as part of our 2009/10 audit.

Recommendations
R1 Monitor the arrangements for reporting on bank reconciliations.
R2 Review arrangements for member engagement with and scrutiny of treasury management processes.

Letter of representation

- 17** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

Key areas of judgement and audit risk

- 18** In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
The key officers needed to prepare the financial statements and deal with the audit may not be available leading to poor quality and or late financial statements and delays in completing the audit.	Key officer availability has not been an issue. Officers have been effective in preparing the financial statements and in responding to audit questions.
Incomplete or inaccurate disclosure of local government reorganisation transition costs.	The Council has accounted accurately for the costs it incurred in preparing for local government re-organisation. Some classification amendments have been made to the financial statements to show the costs more clearly.
Local government pressures leading to financial misreporting	Through our mandatory and substantive testing of revenue and capital income and expenditure and written assurances received from the Council, we have concluded that no material misreporting has occurred due to pressures associated with the demise of the former County Council.
Incomplete reconciliation between the cash figures in the ledger and in bank accounts	The problems with the Salaries bank account were resolved in September 2008 by the introduction of a payroll control account and a "new" bank account in the general ledger. At 31 March 2009 there was a difference of £0.3m between the county fund bank account and general ledger. We have tested the bank reconciliations and sought explanations for the ongoing reconciliation difference. Subject to receiving a specific representation from management, in the letter of Representation, we are satisfied that the cash balance appearing in the financial statement is not materially mis-stated.
Group relationships with Connexions not correctly disclosed in the financial statements as determined not material by the Council.	Although there is a group relationship between the Council and Connexions, we are satisfied that this is not material and thus there is no requirement for the Council to produce group accounts
Incorrect treatment in the financial statements of the potential loss of investments of £8.5m with the heritable Bank.	The Council has made an impairment charge of £2.7m in its 2008/09 in accordance with guidance provided by CIPFA including an update in September 2009.

Accounting practice and financial reporting

- 19** There are several significant matters relating to the qualitative aspects of your financial reporting to which I need to bring to your attention. The matters are listed below and cover:
- estimating for year end payroll expenses;
 - prior period adjustments;
 - pooling of surplus council and pension fund cash balances; and
 - guarantees given to Connexions.
- 20** The Council changed the method for estimating the amount which should be included in the financial statements for payroll expenses incurred at the year end. This change was adopted due to difficulties experienced in determining these costs, for example overtime costs, from the two new payroll systems in the new year. The impact is that payroll costs are £3.3m less in 2008/09 than they would normally have been. We have considered this change in treatment with officers and concluded that it was appropriate in the circumstances created by reorganisation. The Council have reported the change and its financial impact in a note to the Income and Expenditure Account.
- 21** The council made prior period adjustments to the 2007/08 comparatives reported in the financial statements. This related to two items:
- the change in valuation of pension fund assets amounting to £3.5m; and
 - an error in the classification of a land purchase of £0.7m
- 22** UK GAAP (FRS3) states that prior period adjustments are only necessary:
- when there is a material change in accounting policy; or
 - when the previous year's accounts contained a fundamental error.
- 23** The Council has amended the accounts to remove the adjustment relating to the land purchase but officers consider the change in valuation of pension fund assets to be sufficiently fundamental to maintain disclosure in the accounts. The Council should carefully consider the need for making prior period adjustments and only account for these if it is absolutely necessary to comply with accounting standards.

Financial statements

24 In common with many other administering bodies, the County Council pools surplus pension fund cash with its own surplus cash as part of its strategy for managing cash balances. This involves investment of the combined surpluses. The arrangements are set out in a treasury management agreement dated December 2005. The arrangement supports the Pension Fund in terms of cash-flow, liquidity and risk management, for example, it did not incur an impairment charge as a consequence of the former County Council investing in Heritable Bank. To reflect the risks involved in the arrangement, the Pension Fund is reimbursed at a nationally identifiable average bank interest rate. We understand that in most years the rate paid to the Pension Fund has been similar to that achieved by the former County Council. Officers have informed us that due to changes in the banking industry and the subsequent fall in interest rates, the interest paid to the Pension Fund in 2008/09 is estimated to be around £40,300 less than that achieved from the average return on investments made by the Council. The Council have indicated that they will reimburse this sum to the Pension Fund. Whilst I have concluded that these issues are not material in relation to my opinion on the financial statements, action is required to ensure the robustness of the arrangement going forward. For example:

- the governance arrangements relating to pooling of funds should be reviewed; and
- the treasury management agreement which sets out the conditions for pooling cash balances is dated December 2005 and is in need of review to reflect recent and current organisational and treasury management changes.

25 As part of the agreement to outsource the youth service to Connexions in May 2007 the Council agreed to act as guarantor for any pension liability of the company. The guarantee is recognised in the accounts as a contingent liability. The Council agreed to strengthen the contingent liability note to clarify the nature of the liability and the significant uncertainties relating to the likely value of it. It has also come to our attention that there is no formal agreement between the bodies which are affected by the guarantee. The two new councils should give priority to preparing an agreement supporting any ongoing guarantee to Connexions.

Recommendations	
R3	Review the arrangements for the investment of surplus administering body and pension funds and formalise this in an updated agreement with the Pension Fund.
R4	Review the governance arrangements in relation to the pooling of surplus Council and Pension Fund.
R5	The two new councils should prepare an agreement to support the guarantee given to Connexions in relation to the pension liability.

Use of resources

I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Value for money conclusion

- 26** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission has produced specific guidance for the assessment of Councils affected by LGR. The assessment uses the same 12 criteria as last year, but the work required has been adapted to reflect the particular circumstances of these Councils. The assessment considered whether Councils maintained adequate governance arrangements and service performance in their final year and also whether they worked effectively with their successor Council to ensure a smooth handover of responsibilities.
- 27** I reported my provisional assessment to Cheshire County Council's Governance Committee in March 2009. I concluded that I intended to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. I confirm that I have now completed my assessment and that my conclusion remains unchanged. A summary of my assessment against the Audit Commission's twelve criteria is included at Appendix 4. Appendix 1 contains the wording of my draft report.
- 28** My detailed findings are included in the report that I presented to the County Council. I have provided a copy of that report to the Director of Resources - it is available for members to see if they wish. I highlighted the following key issues specific to the County Council and I draw it them to members' attention to assist Cheshire West and Chester Council in identifying the issues that it needs to address. These are:
- give priority to the completion and testing of business continuity plans;
 - ensure that shared service arrangements and systems are implemented as a matter of priority; and
 - ensure that value for money is obtained from the use of consultants.

Appendix 1 – Independent auditor's report to Members of Cheshire West and Chester Council in respect of the financial statements of the demised Cheshire County Council

Opinion on the Authority accounting statements

I have audited the accounting statements and related notes of Cheshire county Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement¹ and the related notes. The accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its income and expenditure for the year.

Appendix 1 – Independent auditor’s report to Members of Cheshire West and Chester Council in respect of the financial statements of the demised Cheshire County Council

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements and related notes and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the pension fund accounts¹

I have audited the pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire West and Chester Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of resources and auditor

The Director of Resources responsibilities for preparing the pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the pension fund during the year and the amount and disposition of the fund’s assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the pension fund accounts and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the pension fund accounts and related notes.

Opinion

In my opinion the pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund’s assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Appendix 1 – Independent auditor’s report to Members of Cheshire West and Chester Council in respect of the financial statements of the demised Cheshire County Council

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

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

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the relevant criteria specified by the Audit Commission for principal local authorities, published in December 2006, and the supporting guidance, I am satisfied that, in all significant respects, Cheshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Judith Tench

Officer of the Audit Commission

The Heath Business and Technical Park

Runcorn

Cheshire

WA74QF

September 2009

Appendix 2 – Adjusted amendments to the accounts

The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 2

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Income and expenditure account	Decrease in expenditure in relation to transition costs	232	232	232	232
Prior period adjustment	Reversal of prior period adjustment in relation to a land purchase	675	675	675	675
Income and expenditure account	Re classification of transition costs	6,786	6,786		

We identified a number of areas where disclosure notes needed to be improved and management has agreed to amend. The more significant of these is listed below;

- Strengthened disclosures relating to the credit risks of bank deposits and investments
- Recognition of local government re-organisation and the decision taken to sell County Hall as unadjusting post balance sheet events
- Additional explanation and notes to reflect the change in the way that payroll accruals have been estimated and included in the financial statements
- Bringing the disclosure of non operational assets in line with recommended accounting practice

Appendix 3 – Draft letter of representation

To:
Judith Tench
District Auditor
Audit Commission
The Heath Business and Technical Park
Runcorn
WA7 4QF

Cheshire County Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other directors, officers of the former Cheshire County council and Cheshire west and Chester and Cheshire East councils, the following representations given to you in connection with your audit of Cheshire County council's financial statements for the year ended 31 March 2009. All representations cover the Council's accounts.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the County Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the County Council and subsequently by Cheshire West and Chester Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Appendix 3 – Draft letter of representation

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees regulators or others, analysts,.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the County council. The County Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the financial asset and liabilities assumptions, I confirm:

- the appropriateness of the measurement methods;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- subsequent events do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Bank reconciliations

As at 31 March 2009 there was an unreconciled variance on one of the County Council's bank accounts. We have experienced long-standing problems with this reconciliation but I do not believe that the issue has a material impact on the accounts. We have put considerable effort into investigating the reason for the variance and have recently gained a better understanding of the problem. As a result of this, we have implemented a minor change to the business process for reconciling the account. This appears to have been successful and the equivalent accounts in the two new Authorities now reconcile fully. We will continue to monitor closely all bank accounts to ensure that they reconcile and that any issues arising are dealt with promptly.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Cheshire West and Chester and Cheshire East Councils have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Appendix 3 – Draft letter of representation

Signed on behalf of Cheshire West and Chester Council

I confirm that this letter has been discussed and agreed by the Audit and Governance Committee on 29 September 2009

Julie Gill
Director of Resources
September 2009

Councillor K Musgrave
Chairman of Audit and Governance Committee
September 2009

Appendix 4 – Value for money conclusion

Value for money criteria	Met, yes or no
1. The body has put in place arrangements for setting, reviewing and implementing its strategic and operational objectives.	Yes
2. The body has put in place channels of communication with service users and other stakeholders including partners, and there are monitoring arrangements to ensure that key messages about services are taken into account.	Yes
3. The body has put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members.	Yes
4. The body has put in place arrangements to monitor the quality of its published performance information, and to report the results to members.	Yes
5. The body has put in place arrangements to maintain a sound system of internal control.	Yes
6. The body has put in place arrangements to manage its significant business risks.	Yes
7. The body has put in place arrangements to manage and improve value for money.	Yes
8. The body has put in place a medium-term financial strategy, budgets and a capital programme that are soundly based and designed to deliver its strategic priorities.	Yes
9. The body has put in place arrangements to ensure that its spending matches its available resources.	Yes
10. The body has put in place arrangements for managing performance against budgets.	Yes
11. The body has put in place arrangements for the management of its asset base.	Yes
12. The body has put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.	Yes

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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Crewe and Nantwich Borough Council

Audit Findings Report

Year ended 31 March 2009

**Presented to those charged with governance
arrangements for demised bodies within
Cheshire East Council by Baker Tilly UK Audit LLP
30 September 2009**

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Status of our reports to the Council

Our reports are prepared in the context of the *Statement of Responsibilities of Auditors and Audited Bodies* issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of Crewe & Nantwich Borough Council (CNBC) in respect of the year ended 31st March 2009 and our Value for Money conclusion.

This report addresses the requirements of International Standards on Auditing (UK and Ireland) 260: Communication of Audit Matters to those Charged with Governance (ISA260). Cheshire East Council, as the successor Unitary Authority to CNBC, has determined that for audit purposes those charged with governance are the members of the Governance & Constitution Committee.

The scope of our work has already been communicated to CNBC via our overall Audit & Inspection Plan dated June 2008 and our more detailed financial statements plan dated 25 June 2009 was presented to the Cheshire East's Governance and Constitution Committee. We have performed our audit in accordance with the plan, the Audit Commission's Code of Audit Practice and International Standards on Auditing applicable to UK accounting standards. Our responsibilities and those of the Council itself are described in more detail in Appendix A.

One of the purposes of this report is to provide an overview of the Council's results and activities for the year, highlighting any key audit and accounting issues which may have come to our attention during the audit. It also assists the Committee in its consideration of the financial statements and to share our recommendations for areas of improvement. It also covers any relevant future issues for the Committee's consideration.

We have not sought to provide a detailed commentary on the year's financial performance, as the Council received regular management accounts as part of its monthly procedures. Section 2 covers some high level points regarding the 2008/09 outturn.

Our report has some dependence on information which has been provided by, or is based upon discussions with management and staff. Other than to the extent which this is required for the purpose of the audit, this information has not been independently verified.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 8.

We consider that the audit approach adopted will provide the Members with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report.

Scope of the work

The audit plan which we agreed with the Council described the following work which we would do to meet our audit responsibilities:

Code responsibility	Work undertaken:
<p>We are required to audit the financial statements and to give an opinion as to whether:</p> <ul style="list-style-type: none"> • they present fairly the financial position of the Council and its income and expenditure for the year ended 31 March 2009; and • they have been prepared in accordance with relevant legislation and applicable accounting standards. 	<ul style="list-style-type: none"> • We assessed the adequacy of the Council's key financial systems that support the transactions and balances in the financial statements. We took into account the work of Internal Audit to ensure that duplication of effort was avoided. • We have performed detailed analytical audit procedures on all material elements of income and expenditure within the accounts. • We have tested selected transactions and balances to source documents. • The accounts have been reviewed to ensure compliance with the guidance set out in CIPFA's Statement of Recommended Practice (SORP) in relation to statutory requirements, accounting standards, accounting presentation and disclosure.
<p>We are required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and we are required to report if the statement:</p> <ul style="list-style-type: none"> • does not meet these requirements • is misleading; and/or • is inconsistent with, or incomplete in the light of, other information of which we are aware. 	<ul style="list-style-type: none"> • We reviewed the arrangements that the Council had put in place and the evidence gathered to provide sufficient assurance for the Leader and the Chief Executive to authorise the AGS. • We reviewed disclosures made in the 2008/09 AGS to assess whether they are consistent with the results of work reported by Internal Audit and our knowledge of the Council. • We ensured that the AGS has been presented in accordance with relevant requirements. • We reviewed major committee minutes to identify any inconsistencies.

Code responsibility	Work undertaken:
---------------------	------------------

<p>We are required to review whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources</p>	<ul style="list-style-type: none">• We undertook a detailed use of resources assessment (the 2008 assessment) during autumn 2008, which included a focus on Value for Money arrangements. Our Value for Money conclusion has been informed by this work.• We undertook a review of the Council's arrangements for value for money in the lead up to the demise of the authority using the Audit Commission 2008/09 Value for Money Code Criteria for demising authorities.
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Details of our audit fees for the period are provided in section 9 of this document.

2 Qualitative aspects of earnings

Review of financial results

Net cost of services saw a significant rise to £26.57m (2008: £17.88m) due in the main to the following:

- Impairment charges of £4.74m (2008: £0.45m) in respect of certain buildings and land holdings, as a consequence of recent market conditions in the current economic climate
- Exceptional costs of local government reorganisation in Cheshire totalling £3.00m (2008: £nil)
- Costs of compensation and arrears relating to the Council's equal pay job evaluation process.
- Lower income from services affected by the economic downturn (including planning applications, building regulations and search fees).

The balance sheet for 31 March 2009 is fairly consistent with the position as at 31 March 2008, with the exception of the net pensions liability of £25.73m (2008: £10.31m). The net liability represents the excess of liabilities to pay defined retirement benefits over the scheme assets. The increase in net liability was due to the impact of poorer investment returns experienced in the prevailing economic climate. The other major area of change related to the carrying value of tangible fixed assets which were subject to the impairments noted above.

Preparation of accounts and working papers

The Council was well prepared for the commencement of the audit. The financial statements were approved before the 30 June 2009 deadline in accordance with the Council's timetable. Working papers providing the composition of balances and appropriate supporting evidence were prepared to a good standard by the Council and additional explanations were provided on a timely basis were required.

As in previous years, we held a number of meetings with finance staff in advance of the audit to communicate to them our expectations concerning validation of the draft accounts, and to highlight the new requirements to be addressed in the 2008/09 financial statements.

New financial reporting requirements

For the 2008/09 Financial Statements, the Statement of Recommended Practice (SORP) 2008 introduced a number of developments (a detailed listing was included in the June 2009 audit plan) which potentially impacted on the Council's reporting. The key areas are listed below, namely:

1. The deletion of the section of the SORP on deferred charges since the concept has become redundant now that deferred charges in accordance with GAAP can never be carried on the Balance Sheet. It has been replaced by a new section entitled *Revenue Expenditure Funded from Capital Under Statute*, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources;
2. A section has been added to the SORP on income that is defined by statute as capital receipt but does not arise from the disposal of a fixed asset. (para 3.10);
3. The Pensions SORP was revised to take account of the requirements of financial instruments reporting standards FRS 25 and 26. These changes have been incorporated into the 2008 SORP.

We discussed these issues with the Council's finance officers in advance of the audit to ensure that they incorporated these requirements within the draft financial statements; following completion of our final audit visit we are satisfied that the Council has dealt properly with the above changes and made appropriate disclosures.

Specific audit risks

On 1st April 2009 Crewe and Nantwich Borough Council demised and its operations and balances novated to its successor authority, Cheshire East Council. The financial statements as at 31 March 2009 are prepared on the basis that all assets, liabilities and reserve balances will transfer to the replacing Council at their book value.

Our audit work covered those activities that have had an impact during 2008/09, such as set up costs, redundancy costs and curtailments. We concluded that accounting treatment and disclosure is appropriate.

Proposed audit opinion

We have completed our audit of the Council's financial statements for the year ended 31 March 2009. We propose to issue an unqualified opinion on the financial statements following receipt of a letter of representation from management and the signed financial statements, including the Annual Governance Statement.

Letter of representation

In order to obtain sufficient audit evidence for our audit opinion on the financial statements we obtain representations from management on aspects of the accounting records, accounts disclosures and other matters. The draft representation letter that we request management and those charged with governance to sign is shown in **Appendix B** to this report.

Expected modifications to the Auditor's report

There are no modifications to the audit report on the financial statements for the year ended 31 March 2009. The draft audit report on the financial statements is shown at **Appendix C**.

3 Audit and accounting issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p>Local Government Reorganisation (LGR)</p> <p>The financial statements are prepared on the basis that all assets, liabilities and reserve balances will transfer to the replacing Council at their book value. However, the demise of Crewe and Nantwich Borough Council on 1 April 2009 will impact on the financial statements in a number of areas;</p> <ul style="list-style-type: none"> • Post balance sheet event note, full disclosure of the demise of Crewe and Nantwich and the transfer to the replacement Council should be given in the accounts • Accounting for transitional and restructuring costs, those costs that are to be borne by CNBC should be included in the financial statements 	<p>It is considered that costs incurred in the current year (2008/09) should be recognised in the Income and Expenditure Account as incurred, and costs contracted for should be disclosed in the notes to the financial statements as financial commitments, and then recognised as they are incurred.</p> <p>Disclosures for the current year surrounding LGR have been discussed with the Council, and with other Councils in Cheshire to ensure an appropriate and consistent level of disclosure across the county.</p>	<p>Amounts included in the Income and Expenditure account for the year as Exceptional Costs of Reorganisation have been reviewed and we concur that the amounts recognised appear reasonable and are non-recurring in nature.</p> <p>Disclosures for the current year surrounding LGR and Exceptional Costs of Reorganisation have been reviewed and the disclosures made appear reasonable.</p>
<p>Core Financial Systems:</p> <p>The underlying core systems in operation within the Council are fundamental to the compilation of the 2008/09 Financial Statements. We must determine whether it is appropriate to place reliance upon underlying financial systems and controls to produce materially correct balances in the Financial Statements</p>	<p>In conjunction with Internal Audit, core financial systems relevant to our audit opinion have been reviewed as part of our interim work.</p> <p>We will also assess the potential risk of material mis-statement in the accounts arising from fraud or the Council acting illegally.</p>	<p>As part of our interim audit work carried out in April 2009 we reviewed the core financial systems in place and we can confirm that the Council operates a sound system of internal controls. Compliance testing was carried out on core systems and no failures were recorded.</p> <p>Review of internal audit working papers did not highlight any areas that pose a significant risk to the Council.</p>

Key area of audit focus	Our approach	Resolution
<p>SORP 2008 requirements:</p> <p>We need to ensure the main Financial Statements are presented fairly and in accordance with the SORP 2008 and other applicable accounting requirements.</p>	<p>The Financial Statements will be reviewed against the requirements of the SORP 2008, and other relevant accounting standards.</p> <p>The changes required for compliance with the SORP 2008 are more limited than those required for the SORP 2007 had been, and individual changes expected to have an impact on the Council have been discussed with management.</p>	<p>The Financial Statements have been reviewed for compliance with SORP 2008 and other relevant accounting standards.</p> <p>The disclosures in respect to FRS 17 were included as part of the notes to the accounts and the accounting policy note was altered in the accounts submitted for audit. However, the Council did not expressly refer to the fact that it was a change in accounting policy. This was subsequently updated and we can confirm that the Financial Statements have been presented fairly and in accordance with SORP 2008 and other applicable accounting requirements.</p>
<p>Fixed assets:</p> <p>Fixed assets represent significant balances within the Financial Statements.</p> <p>The audit risk is that assets are capitalised that are inappropriate and do not create a future economic benefit or provide a community use for the Council.</p> <p>Under FRS 11 the Council should consider the carrying value of all significant fixed asset balances to consider whether an impairment provision is necessary. The appropriate carrying value should be the value in use to CNBC, not the value in the use that CEC will have for specific assets.</p>	<p>Expenditure on the capital programme will be reviewed to ensure that assets are being capitalised or expensed appropriately. Substantive testing will also be performed on capitalised additions to provide us with sufficient levels of audit confidence.</p> <p>We will consider management's review as to whether there were any indications of impairment and the grounds for either making any impairment provisions or for not making any.</p>	<p>Analytical procedures have given us comfort that the amounts recorded in the Financial Statements appear reasonable. These procedures have been supplemented by substantive testing on a sample of assets to confirm existence and ownership.</p> <p>The impairment charges during the year have been carried out by appropriately qualified individuals and the rationale for the impairments in the year has been reviewed and appears reasonable.</p>

Key area of audit focus	Our approach	Resolution
Investments: <p>The Council has considerable investments held with various financial institutions. The magnitude of these cash balances means there is an inherent risk of the occurrence of fraud in this area. Events in the last 12 months involving funds held by local authorities in Icelandic banking institutions and also other countries' banking 'scare' increases the perceived risk attached to these investments</p>	<p>Independent confirmation of the value of investments will be obtained directly from the financial institutions to allow the verification of the balances in the financial accounts. Where possible we will establish whether these funds have matured and been either returned or reinvested by the successor Council.</p>	<p>We have received independent confirmation from the financial institutions where monies have been deposited and we can confirm that the amounts recorded within the Financial Statements appear reasonable.</p> <p>Work on post balance sheet events has confirmed that there are no issues surrounding the recoverability of investments.</p>
Debtors: <p>Debtors are expected to be a significant figure in the Financial Statements, and due to the devolved structure of the Council there is a significant risk that some debtors may not be recorded.</p> <p>This area also provides for significant management discretion in relation to the level of provisions provided.</p> <p>The impact of the recession may have a negative effect on the Council's ability to recover in full those amounts that were owed to it at the 31 March 2009.</p>	<p>As well as our standard analytic procedures, compliance testing will be used to enable us to obtain sufficient confidence that debtors are not materially miss-stated.</p> <p>The adequacies of provisions are to be considered, and the disclosures reviewed to ensure they comply with the SORP 2008 requirements.</p> <p>We will review the recovery of receipts after date to consider the adequacy of bad debt provisions.</p>	<p>Analytical review procedures have been performed on the year end debtor balances, with additional assurance taken from the compliance testing procedures carried in April 2009 which concluded that the systems of internal control in place were operating satisfactorily.</p> <p>This testing, in conjunction with our review of debtor recoverability has confirmed that the amounts recorded in the balance sheet appear reasonable. Although of a judgemental nature (see section 7), the provisions made for bad and doubtful debt appear reasonable.</p>
Creditors: <p>Creditors are expected to be a significant figure in the Financial Statements, and due to the devolved structure of the Council there is a significant risk that some creditors may be omitted.</p>	<p>As well as our standard analytic procedures, compliance testing will be used to enable us to obtain sufficient confidence that creditors are not materially miss-stated.</p> <p>We will also test cut off procedures in the Council to ensure no omission of any material liabilities.</p>	<p>Analytical review procedures have been performed on the year end creditor balances, with additional assurance taken from the compliance testing procedures carried in April 2009 which concluded that the systems of internal control in place were operating satisfactorily</p> <p>Cut off testing and review of Q1 Cheshire East Council Financial Monitoring reports have not identified any issues surrounding the completeness of liabilities at the year end.</p>

Key area of audit focus	Our approach	Resolution
<p>Income and Expenditure:</p> <p>The Council has a significant degree of diversity in terms of its income sources, and its expenditure types. In addition, a proportion of receipts is cash based.</p> <p>This leads to an increased risk that income and expenditure may not be fully captured from all sources, leading to incompleteness of balances within the financial statements.</p>	<p>In conjunction with the work performed on debtors and creditors, the controls relating to income and expenditure will be reviewed, as will the testing performed by internal audit. We will then evaluate the results of this process in order to determine whether or not further compliance and substantive testing will be required in order for us to obtain sufficient audit confidence.</p>	<p>Detailed analytical review procedures have been carried out on the Income and Expenditure account. Significant variances between 2009 outturn and both 2009 budget and 2008 outturn have been reviewed and appropriate explanations and corroborations have been obtained.</p> <p>This work, in conjunction with our compliance testing on internal controls and cut off testing performed has enabled us to conclude that the Income and Expenditure account is fairly stated.</p>

4 Audit and accounting issues identified during the audit

Issue	Resolution
<p>During the course of the audit we identified that disclosure items within the notes to the collection fund had been incorrectly presented, as follows:</p> <ul style="list-style-type: none"> • Note CF2 had not included the correct figure for Band D equivalent properties within the Band H column. • Note CF3 had been prepared with the incorrect figure for allowances and other adjustments, however the net contribution to the Business rates pool and been correctly calculated. 	<p>Financial statements to be amended prior to sign off of the audit report.</p>
<p>During the course of our audit we identified £177,000 of live capital contracts that were committed to at 31 March 2009 but which had not been disclosed within the capital commitments note.</p>	<p>On discussions with management these were not included within the capital commitments note as the contracts were immaterial both individually and in aggregate, and the disclosures made of key capital commitments are clear and easy to follow. Given the immaterial nature of the cumulative sums we are content to let the matter stand.</p>

5 Internal control issues

We have set out below those areas of internal control weakness that we consider should be brought to the attention of the Members which arose as a result of our audit work. This does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>During the course of the audit we discovered that the Council had disposed of land valued at £480,000 to Bentley Motors. Prior to the sale this land had not been included in the fixed asset register.</p> <p>The value of land held by the Council could be understated if inaccurate records of assets owned are kept.</p>	<p>The Council should ensure that a comprehensive fixed assets register is held (and updated) at appropriate intervals.</p>	<p>The Estates team within the Council has spent a significant amount of time reviewing the land holdings held and are comfortable that the fixed asset register is complete.</p>	<p>By 31 March 2010, the Assets Manager of Cheshire East Council will have arranged for a review of property holdings and valuation of assets, as necessary.</p>
<p>As noted in the Annual Governance Statement core matters relating to risk management which have remained outstanding during 2008/09 are:</p> <ul style="list-style-type: none"> • A Risk Panel including Officer/Member representation should be formed • The Risk register should reflect more clearly risks relating to the Council's key objectives • Refresher training for Members and Senior Officers should be provided 	<p>As addressed within the Annual Governance Statement, the core matters relating to risk management should be addressed.</p>	<p>Cheshire East Council should ensure that focus is placed on the risk management weaknesses within the updated risk management strategy for the successor Unitary Authority.</p>	<p>On 25 June 2009 a report prepared by Cheshire East Council's Internal Audit Manager on a Risk Management Strategy for the authority was approved by the Governance and Constitution Committee.</p>

6 Significant accounting policies, disclosures and estimates

During the course of our audit, we reviewed the adequacy of the accounting policies, disclosures and estimates contained within the financial statements and their compliance with both relevant accounting standards and the requirements of CIPFA's Accounting Code of Practice and the local government SORP. Following discussion with management the Council expanded its disclosures concerning the amendments to FRS 17 "Retirement Benefits" but there were no matters of significance warranting members' attention.

7 Uncertainties, risks, exposures, judgemental issues and going concern

We have not identified, during the course of our work, any significant issues relating to the above matters that we consider should be brought to the attention of Members. The major local government reorganisation in Cheshire, which led to the Council's demise on 31st March 2009 and the establishment of the successor Unitary Authority, is properly reflected in the notes to the accounts.

Set out below, for completeness, are the matters of judgement that we have identified during the course of our work, that we consider should be brought to the attention of Members:

Key Issue	Audit Impact	Resolution
<p>The provisions made for bad and doubtful debt are subject to a considerable amount of judgement as they are formula based.</p> <p>For example, provisions for debts that are at the bailiff stage are provided for at 50%. Given the current economic climate, the recovery of debts that are at the bailiff stage may be less than 50% of sums owing, therefore the provision could be understated.</p>	<p>The provisions in place for bad and doubtful debts may not adequately cover the debtor balances that the Council are exposed to.</p>	<p>The Council has used consistent formula based calculations for the level of bad debt provisioning. These provisions are to be reviewed within Cheshire East Council. Going forward, it is recommended that performance in collecting debts is reviewed against the provisioning made to establish whether the percentages used remain reasonable.</p>
<p>Internal recharges totalling £207,000 between service lines have not been eliminated. These recharges are immaterial and have been noted on the statement of unadjusted errors on section 8.</p>	<p>Income and expenditure are both overstated by £207,000 within net cost of services. The "bottom line" effect is nil.</p>	<p>The Council are aware of these items and accept them on the basis that they are not material. The adjustment required to eliminate these transactions has been shown in section 8.</p>

8 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose we consider “clearly trivial” to be any matter less than £5,000 individually and in aggregate.

Account	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
DR Interest and investment income CR Investments			10	(10)		
<i>Being adjustment to correct the overstatement of investment income receivable on a deposit at year end.</i>						
DR Cheshire County Council debtors CR Cultural, environmental and planning services			(31)	31		
DR Cultural, environmental and planning services CR Cheshire County Council debtors			9	(9)		
<i>Being adjustment to correct the incorrect posting of recycling credits re. CCC.</i>						
DR Exceptional costs of reorganisation CR Non-distributed costs			17 (17)			
<i>Being adjustment to correct redundancy payments that had not been reclassified as exceptional items.</i>						
DR Government department debtors CR Government department creditors				36 (36)		
<i>Being adjustment to correct net-off of over claimed VAT.</i>						

Account	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
DR Net cost of services income CR Net cost of services expenditure			207 (207)			
<i>Being adjustment to correct internal recharges not eliminated.</i>						
DR Provisions CR Earmarked reserves				150 <u>(150)</u>		
<i>Being adjustment to correct redundancy provision which did not conform with FRS 12</i>						
Totals	=	=	<u>(12)</u>	<u>12</u>	=	=

9 Fees

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, we set out below the fees charged and, as at 30 September 2009, the amount of agreed contracts for services and submitted written proposals, to CNBC by all entities within the Baker Tilly UK Holdings Limited group, companies in which Baker Tilly UK Audit LLP members are directors (details of which are available from your audit principal) and all firms that are members of the Baker Tilly International network

The table sets out a comparison between our planned fees as shown in our 2008/09 audit plan and the 2008/09 outturn.

Code area	2008/09 planned fees £	2008/09 estimated outturn fees £
Audit of the Accounts	44,200	44,200
Use of Resources/ Value for Money Conclusion/Data Quality/Community Cohesion study/BVPP and BVPIs	36,500	34,000
Whole of Government accounts	2,500	2,500
LGR	20,000	22,500
TOTAL	103,200	103,200

10 Use of Resources

Value for money (VfM) conclusion

The VfM conclusion is an overall assessment drawing on the Use of Resources KLOEs, any work on the BV Performance Indicator's and any inspection activity carried out by Audit Commission. Our work this year was based on the Audit Commission's 2008/09 Value for Money Code Criteria for demising authorities. Having made the assessment against the criteria we have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2009. Our proposed opinion is outlined as part of **Appendix C**.

11 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and CNBC and its related entities that may reasonably be thought to bear on Baker Tilly UK Audit LLP’s independence and the objectivity of the audit principal, Mr D. Buxton and the audit staff and the related safeguards from those disclosed in the Audit & Inspection Plan dated June 2008 and updated on 25 June 2009.

Non-audit services provided by related entities to Crewe & Nantwich Borough Council and its related entities: None

In our professional judgement, Baker Tilly UK Audit LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the principal, Mr David Buxton and the audit staff is not impaired.

This confirmation has been prepared for the sole use of Cheshire East Council. It must not be disclosed to a third party, or quoted or referred to, without Baker Tilly UK Audit LLP’s written consent. No responsibility is assumed by Baker Tilly UK Audit LLP to any other person.

Appendix A – Responsibilities of auditors and the Council

Introduction to responsibilities

Those who are responsible for the conduct of public business and spending public money are accountable for ensuring both that public 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.

In discharging this accountability, public bodies and their management (both members and officers) are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published Statements on Internal Control.

The following paragraphs summarise the responsibilities of auditors and of audited bodies in relation to the responsibilities of auditors described in the Audit Commission's Code of Audit Practice (the Code).

Auditing the financial statements

The financial statements, which comprise the published accounts of the Council, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the Council to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly the financial position of the body and its expenditure and income.

The Council is also responsible for preparing and publishing with its financial statements a statement on internal control. We audit the financial statements and give our opinion, including:

- whether they present fairly the financial position of the Council and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out the audit of the financial statements, we have regard to the concept of materiality and subject to this, we provide reasonable assurance that the financial statements:

- are free from material misstatement, whether caused by fraud or other irregularity or error;
- comply with statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

We examine selected transactions and balances on a test basis and assess the significant estimates and judgments made by the Council in preparing the statements.

We also evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the financial statements. Where we identify any weaknesses in such systems and controls, we draw them to the attention of the Council, but cannot be expected to identify all weaknesses that may exist.

We review whether the annual governance statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which we are aware. In doing so we take into account the knowledge of the Council gained through our work in relation to the audit of the financial statements and through our work in relation to the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources. We are not required to consider whether the annual governance statement covers all risks and controls, nor are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the Council to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The Council is responsible for reporting on these arrangements as part of its annual governance statement.

We have a responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility we should review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements. We also have a responsibility to consider, and report on, the Council's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

We are responsible for reporting annually our conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention that prevent us from concluding that the Council has put in place proper arrangements. However, we are not required to consider whether aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning our audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, we consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the Council's statutory functions and objectives, which apply to the Council and are relevant to our responsibilities under the Code, and the arrangements it has put in place to manage these risks. Our assessment of what is significant is a matter of professional judgment and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. When assessing risk we consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type;
- other risks that apply specifically to the Council;
- the Council's own assessment of the risks it faces; and
- the arrangements put in place by the Council to manage and address its risks.

In assessing risks we have regard to:

- evidence gained from previous audit work, including the response of the Council to previous audit work;
- the results of assessments of performance carried out by the Commission;
- the work of other statutory inspectorates; and
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where we rely on the reports of statutory inspectorates as evidence relevant to the Council's corporate performance management and financial management arrangements, the conclusions and judgments in such reports remain the responsibility of the relevant inspectorate or review Council.

In reviewing the Council's arrangements for its use of resources, it is not part of our functions to question the merits of the policies of the Council, but we may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the Council to decide whether and how to implement any recommendations made by us. In making any recommendations we do not have any role in the decision-making arrangements of the Council.

While we may review the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, we cannot be relied on to have identified every weakness or every opportunity for improvement. The Council should consider our conclusions and recommendations in their broader operational or other relevant context.

We are not required to report to you on the accuracy of performance information that you publish. Our work is limited to a review of the systems put in place by the Council to collect, record and publish the information, in accordance with guidance issued by the Audit Commission. Nor are we required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council.

Audit work in relation to the Council's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it our responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although we are alert to the possibility and will act promptly if grounds for suspicion come to our notice.

Appendix B – Draft letter of representation

TO BE TYPED ON COUNCIL'S LETTERHEAD

Baker Tilly UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Date:

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31ST MARCH 2009

We confirm, to the best of our knowledge and belief, having made appropriate enquiries of other members, directors and officers and having received a letter of representation from the former S151 Officer of Crewe & Nantwich Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2009.

1. We acknowledge as Members and as the Borough Treasurer and Head of Assets our responsibility for the financial statements. All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information and explanations, including minutes of all Council and sub Committee meetings held between the beginning of the accounting period and the date of this letter, have been made available to you.
2. We confirm that we have taken all the steps that we ought to have taken as Members/ Borough Treasurer and Head of Assets in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.
3. We confirm that:

- a. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error;
 - b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - c. We have disclosed to you our knowledge of fraud and suspected fraud affecting the Council involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the financial statements; and
 - d. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
4. We have not adjusted the misstatements as set out in Section 8 of the Audit Findings Report and attached to this letter, on the grounds on immateriality.
 5. We confirm that full disclosure is made in the financial statements of:
 - a. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for Members/directors or any guarantee or provision of security for Members/directors;
 - b. the identity of the party which controls the Council, if any;
 - c. transactions and balances with related parties including:
 - i. the names of the transacting parties;
 - ii. a description of the relationship between the parties;
 - iii. a description of the transactions;
 - iv. the amounts involved;

- v. any other elements of the transactions necessary for an understanding of the financial statements;
 - vi. the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - vii. amounts written off in the period in respect of debts due to or from related parties.
- d. outstanding capital commitments contracted for at the balance sheet date.
- e. all contingent liabilities including details of pending litigation and material claims against the Council.
- f. All guarantees, warranties or other financial commitments.
6. We have disclosed all events of which we are aware which involve possible non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences which may arise from such non-compliance.
7. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
8. There have been no events (other than those already disclosed in the financial statements) since the balance sheet date, which necessitate revision of the figures in the financial statements or inclusion of a note thereto. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.

9. We are satisfied that the information underlying the valuation of the pension scheme liabilities is consistent with our knowledge of the Council and that the information provided to the scheme actuary to calculate the present value of scheme liabilities is complete and accurate.

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

The contents of this letter were considered and approved by the Governance and Constitution Committee at its meeting on 30 September 2009.

Yours faithfully

Signed on behalf of Cheshire East Council (in relation to the demised authority of Crewe and Nantwich Borough Council)

Lisa Quinn
Borough Treasurer and Head of Assets.

Councillor Wesley Fitzgerald
Leader of the Council

Appendix C – Draft audit report

Independent Auditor's report to the Members of Cheshire East Council in respect of the accounting statements of the demised Crewe and Nantwich Borough Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Crewe & Nantwich Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire East Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Borough Treasurer and Head of Asset's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Foreword by the Borough Treasurer and Head of Assets. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In our opinion:

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

XXXXXXXXXXXXXXXXXX,
Chartered Accountants,
3 Hardman Street,
Manchester,
M3 3HF

Date:

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit

Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission, published in December 2006, and the supporting guidance, we are satisfied that, in all significant respects, Crewe & Nantwich Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

XXXXXXXXXX
Chartered Accountants,
3 Hardman Street,
Manchester,
M3 3HF

Date:



Congleton Borough Council

Audit Findings Report

Year ended 31 March 2009

**Presented to those charged with governance
arrangements for demised bodies within
Cheshire East Council by Baker Tilly UK Audit LLP
30 September 2009**

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Status of our reports to the Council

Our reports are prepared in the context of the *Statement of Responsibilities of Auditors and Audited Bodies* issued by the Audit Commission. Reports are prepared by appointed auditors and addressed to members or officers. They are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

1 Introduction and coverage

This report summarises our key findings in connection with the audit of the financial statements of Congleton Borough Council (CBC) in respect of the year ended 31st March 2009 and our Value for Money conclusion.

This report addresses the requirements of International Standards on Auditing (UK and Ireland) 260: Communication of Audit Matters to those Charged with Governance (ISA260). Cheshire East Council, as the successor Unitary Authority to CBC, has determined that for audit purposes those charged with governance are the members of the Governance & Constitution Committee.

The scope of our work has already been communicated to CBC via our overall Audit & Inspection Plan dated June 2008 and our more detailed financial statements plan dated 25 June 2009 presented to the Cheshire East's Governance and Constitution Committee. We have performed our audit in accordance with the plan, the Audit Commission's Code of Audit Practice and International Standards on Auditing applicable to UK accounting standards. Our responsibilities and those of the Council itself are described in more detail in Appendix A.

One of the purposes of this report is to provide an overview of the Council's results and activities for the year, highlighting any key audit and accounting issues which may have come to our attention during the audit. It also assists the Committee in its consideration of the financial statements and to share our recommendations for areas of improvement. It also covers any relevant future issues for the Committee's consideration.

We have not sought to provide a detailed commentary on the year's financial performance, as the Council received regular management accounts as part of its monthly procedures. Section 2 covers some high level points regarding the 2008/09 outturn.

Our report has some dependence on information which has been provided by, or is based upon discussions with management and staff. Other than to the extent which this is required for the purpose of the audit, this information has not been independently verified.

A summary of adjusted and unadjusted misstatements identified during the audits has been prepared and is included in Section 8.

We consider that the audit approach adopted will provide the Members with the required confidence that a thorough and robust audit has been carried out and can confirm that, at the date of this report, we anticipate no modifications from our pro-forma audit report.

Scope of the work

The audit plan which we agreed with the Council described the following work which we would do to meet our audit responsibilities:

Code responsibility	Work undertaken:
<p>We are required to audit the financial statements and to give an opinion as to whether:</p> <ul style="list-style-type: none"> • they present fairly the financial position of the Council and its income and expenditure for the year ended 31 March 2009; and • they have been prepared in accordance with relevant legislation and applicable accounting standards. 	<ul style="list-style-type: none"> • We assessed the adequacy of the Council's key financial systems that support the transactions and balances in the financial statements. We took into account the work of Internal Audit to ensure that duplication of effort was avoided. • We have performed detailed analytical audit procedures on all material elements of income and expenditure within the accounts. • We have tested selected transactions and balances to source documents. • The accounts have been reviewed to ensure compliance with the guidance set out in CIPFA's Statement of Recommended Practice (SORP) in relation to statutory requirements, accounting standards, accounting presentation and disclosure.
<p>We are required to review whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and we are required to report if the statement:</p> <ul style="list-style-type: none"> • does not meet these requirements • is misleading; and/or • is inconsistent with, or incomplete in the light of, other information of which we are aware. 	<ul style="list-style-type: none"> • We reviewed the arrangements that the Council had put in place and the evidence gathered to provide sufficient assurance for the Leader and the Chief Executive to authorise the AGS. • We reviewed disclosures made in the 2008/09 AGS to assess whether they are consistent with the results of work reported by Internal Audit and our knowledge of the Council. • We ensured that the AGS has been presented in accordance with relevant requirements. • We reviewed major committee minutes to identify any inconsistencies.

Code responsibility	Work undertaken:
<p>We are required to review whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources</p>	<ul style="list-style-type: none">• We undertook a detailed use of resources assessment (the 2008 assessment) during autumn 2008, which included a focus on Value for Money arrangements. Our Value for Money conclusion has been informed by this work.• We undertook a review of the Council's arrangements for value for money in the lead up to the demise of the authority using the Audit Commission 2008/09 Value for Money Code Criteria for demising authorities.

Details of our audit fees for the period are provided in section 9 of this document.

2 Qualitative aspects of earnings

Review of financial results

Net operating expenditure has seen a significant increase of £7.9m to £20.3m (2008: £12.4m) largely due to the following:

- Exceptional costs of £4.75m, relating to local government reorganisation redundancy and transition costs, and the impairment of fixed assets in the year.
- A loss on disposal of £1.6m relating to the transfer of Congleton town hall to Congleton Town Council and a profit of £0.6m relating to the sale of the trade waste business.

The increase in net operating expenditure of £7.9m is the main contributor to the movement from a deficit of £0.4m in 2008 to a deficit of £7.6m in 2009.

The balance sheet for 31 March 2009 is fairly consistent with the position as at 31 March 2008, with the exception of the defined benefit pension scheme liability and the related reserve.

This has increased by £9.4m to £18.1m (2008: £8.7m) due to large actuarial losses on the scheme assets in the year.

Preparation of accounts and working papers

The Council was well prepared for the commencement of the audit. The financial statements were approved before the 30 June 2009 deadline in accordance with the Council's timetable. Working papers providing the composition of balances and appropriate supporting evidence were prepared to a good standard by the Council and additional explanations were provided on a timely basis were required.

As in previous years, we held a number of meetings with finance staff in advance of the audit to communicate to them our expectations concerning validation of the draft accounts, and to highlight the new requirements to be addressed in the 2008/09 financial statements.

New financial reporting requirements

For the 2008/09 Financial Statements, the Statement of Recommended Practice (SORP) 2008 introduced a number of developments (a detailed listing was included in the June 2009 audit plan) which potentially impacted on the Council's reporting. The key areas are listed below, namely:

1. The deletion of the section of the SORP on deferred charges since the concept has become redundant now that deferred charges in accordance with GAAP can never be carried on the Balance Sheet. It has been replaced by a new section entitled *Revenue Expenditure Funded from Capital Under Statute*, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources;

2. A section has been added to the SORP on income that is defined by statute as capital receipt but does not arise from the disposal of a fixed asset. (para 3.10);
3. The Pensions SORP was revised to take account of the requirements of financial instruments reporting standards FRS 25 and 26. These changes have been incorporated into the 2008 SORP.

We discussed these issues with the Council's finance officers in advance of the audit to ensure that they incorporated these requirements within the draft financial statements; following completion of our final audit visit we are satisfied that the Council has dealt properly with the above changes and made appropriate disclosures.

Specific audit risks

On 1st April 2009 Congleton Borough Council demised and its operations and balances novated to its successor authority, Cheshire East Council. The financial statements as at 31 March 2009 are prepared on the basis that all assets, liabilities and reserve balances will transfer to the replacing Council at their book value.

Our audit work covered those activities that have had an impact during 2008/09, such as set up costs, redundancy costs and curtailments. We concluded that accounting treatment and disclosure is appropriate.

Proposed audit opinion

We have completed our audit of the Council's financial statements for the year ended 31 March 2009. We propose to issue an unqualified opinion on the financial statements following receipt of a letter of representation from management and signing of the financial statements, including the Annual Governance Statement.

Letter of representation

In order to obtain sufficient audit evidence for our audit opinion on the financial statements we obtain representations from management on aspects of the accounting records, accounts disclosures and other matters. The draft representation letter that we request management and those charged with governance to sign is shown in **Appendix B** to this report.

Expected modifications to the Auditor's report

There are no modifications to the audit report on the financial statements for the year ended 31 March 2009. The draft audit report on the financial statements is shown at **Appendix C**.

3 Audit and accounting issues identified at planning stage

Key area of audit focus	Our approach	Resolution
<p>Local Government Reorganisation (LGR)</p> <p>The financial statements are prepared on the basis that all assets, liabilities and reserve balances will transfer to the replacing council at their book value. However, the demise of Congleton Borough Council on 1 April 2009 will impact the financial statements in a number of areas;</p> <ul style="list-style-type: none"> • Post balance sheet event note, full disclosure of the demise of CBC and the transfer to the replacement council should be given in the accounts. • Accounting for transitional and restructuring costs, those costs that are to be borne by CBC should be included in the financial statements. 	<p>It is considered that costs incurred in the current year (2008/09) should be recognised in the Income and Expenditure Account as incurred, and costs contracted for should be disclosed in the notes to the financial statements as financial commitments, and then recognised as they are incurred.</p> <p>Disclosures for the current year surrounding LGR have been discussed with the Council, and with other Councils in Cheshire to ensure an appropriate and consistent level of disclosure across the county.</p>	<p>Amounts included in the Income and Expenditure account for the year as Exceptional Costs of Reorganisation have been reviewed and we concur that the amounts recognised appear reasonable and are non-recurring in nature.</p> <p>Disclosures for the current year surrounding LGR and Exceptional Costs of Reorganisation have been reviewed and the disclosures made appear reasonable.</p>
<p>Core Financial Systems:</p> <p>The underlying core systems in operation with the Council are fundamental to the compilation of the 2008/09 Financial Statements. We must determine whether it is appropriate to place reliance upon the underlying financial systems and controls to produce materially correct balances in the financial statements.</p>	<p>In conjunction with Internal Audit, core financial systems relevant to our audit opinion have been reviewed as part of our interim work.</p> <p>We will also assess the potential risk of material miss-statement in the accounts arising from fraud or the Council acting illegally.</p>	<p>For the areas assessed as part of the interim work, no issues of control were found.</p> <p>For those items that were not assessed at the interim stage, additional testing was performed at the final audit stage, and any recommendations have been noted on section 5 below.</p>

Key area of audit focus	Our approach	Resolution
<p>SORP 2008 requirements:</p> <p>We need to ensure the main Financial Statements are presented fairly and in accordance with the SORP 2008 and other applicable accounting requirements.</p>	<p>The Financial Statements will be reviewed against the requirements of the SORP 2008, and other relevant accounting standards.</p> <p>The changes required for compliance with the SORP 2008 are more limited than those required for the SORP 2007 had been, and individual changes expected to have an impact on the Council have been discussed with management.</p>	<p>The Financial Statements have been reviewed for compliance with SORP 2008 and other relevant accounting standards.</p> <p>The Financial Statements have been presented fairly and in accordance with SORP 2008 and other applicable accounting requirements.</p>
<p>Fixed assets:</p> <p>Fixed assets represent significant balances within the Financial Statements.</p> <p>The audit risk is that assets are capitalised that are not appropriate and do not create future economic benefit or provide a community use for the council.</p> <p>Under FRS 11 the Council should consider the carrying value of all significant fixed asset balances, including all civic buildings, to consider whether an impairment provision is necessary. The appropriate carrying value should be the value in use to Congleton, not the value in the use that CEC will have for specific assets.</p>	<p>Expenditure on the capital programme will be reviewed to ensure that assets are being capitalised or expensed appropriately. Substantive testing will also be performed on capitalised additions to provide us with sufficient levels of audit confidence.</p> <p>We will consider management's review as to whether there were any indications of impairment and the grounds for either making any impairment provisions or for not making any.</p>	<p>Analytical procedures have given us comfort that the amounts recorded in the Financial Statements appear reasonable. These procedures have been supplemented by substantive testing on a sample of assets to confirm existence and ownership.</p> <p>The impairment charges during the year have been carried out by appropriately qualified individuals and the rationale for the impairments in the year has been reviewed and appears reasonable.</p>

Key area of audit focus	Our approach	Resolution
Investments: The Council has considerable investments held with various financial institutions. The magnitude of these cash balances means there is an inherent risk of the occurrence of fraud in this area. Events in the last 12 months involving funds held by local authorities in Icelandic banking institutions and also other countries' banking 'scare' increases the perceived risk attached to these investments.	Independent confirmation of the value of investments will be obtained directly from the financial institutions to allow the verification of the balances in the financial accounts. Where possible we will establish whether these funds have matured and been either returned or reinvested by the successor Council.	We have received independent confirmation from the financial institutions where monies have been deposited and we can confirm that the amounts recorded within the Financial Statements appear reasonable. All investments have subsequently matured after the year end, ensuring that the entity has no risk exposure to deposits lodged at year end.
Debtors: Debtors are expected to be a significant figure in the Financial Statements, and due to the devolved structure of the Council there is a significant risk that some debtors may not be recorded. This area also provides for significant management discretion in relation to the level of provisions provided. The impact of the recession may have a negative effect on the Council's ability to recover in full those amounts that were owed to it at the 31 March 2009.	As well as our standard analytic procedures, compliance testing will be used to enable us to obtain sufficient confidence that debtors are not materially miss-stated. The adequacies of provisions are to be considered, and the disclosures reviewed to ensure they comply with the SORP 2008 requirements. We will review the recovery of receipts after date to consider the adequacy of bad debt provisions.	Recommendations for improvements on the controls surrounding income streams were made in the previous year's audit findings report. Finance implemented daily cash controls in respect of the cash receipting system. Independent daily cash book reconciliations and controls were put into place to ensure completeness and accuracy of cash postings to the general and sales ledgers. No significant issues were noted. Provisions appeared reasonable, supported by the adequate recoveries post year end.
Creditors: Creditors are expected to be a significant figure in the Financial Statements, and due to the devolved structure of the Council there is a potential significant risk that some creditors may be omitted.	As well as our standard analytic procedures, compliance testing will be used to enable us to obtain sufficient confidence that creditors are not materially miss-stated. We will also test cut off procedures in the Council to ensure no omission of any material liabilities.	During the interim stage of the audit, we tested the controls surrounding expenditure and creditors. Satisfactory controls were in place to conclude that there were unlikely to be omissions of expenditure and creditors. No other significant issues were noted.

Key area of audit focus	Our approach	Resolution
<p>Income and Expenditure:</p> <p>The Council has a significant degree of diversity in terms of its income sources, and its expenditure types. In addition, a proportion of receipts is cash based.</p> <p>This leads to an increased risk that income and expenditure may not be fully captured from all sources, leading to incompleteness of balances within the financial statements.</p>	<p>In conjunction with the work performed on debtors and creditors, the controls relating to income and expenditure will be reviewed, as will the testing performed by internal audit. We will then evaluate the results of the proves in order to determine whether further compliance and substantive testing will be required in order for us to obtain sufficient audit confidence.</p>	<p>We have performed testing on controls around expenditure streams, so are satisfied that material misstatements are unlikely.</p> <p>No significant issues were noted on expenditure streams from review of internal audit's work.</p> <p>As mentioned previously, the controls for income were not deemed to be satisfactory to place reliance on them.</p> <p>Hence detailed substantive testing was undertaken on income. No significant issues were identified.</p>

4 Audit and accounting issues identified during the audit

Issue	Resolution
<p>Presentation and Disclosure</p> <p>The disclosure in the accounts was substantially complete and the presentation was largely to a high standard.</p> <p>There were some minor amendments to be made to ensure that the financial statements were in line with the SORP 2008 and the CIPFA best practice guidelines.</p>	<p>The accounts were updated accordingly.</p>
<p>Netting off income and expenditure</p> <p>There were some items of expenditure and income netted off in the financial statements. This is not in accordance with accounting standards.</p>	<p>Where appropriate adjustments were made. Where it was deemed immaterial, these were left unadjusted.</p> <p>A schedule of the items identified and adjusted/unadjusted is on section 8.</p>
<p>Debtors from precepting bodies</p> <p>There were significant debtors from precepting bodies noted, due to an error in distributing the prior year collection fund surplus.</p>	<p>The balances were assessed for reasonableness with no issues identified.</p>
<p>Fraud identified in the year</p> <p>During the year it was noted that a fraud occurred at the Malkins Bank Golf Course.</p> <p>The sums involved were not material to the financial statements and the Council took appropriate action against the perpetrators in accordance with its fraud response plan.</p>	<p>The loss is immaterial and has been accounted for within the financial statements and no further adjustments are required. We understand that the control environment in this area has subsequently been strengthened.</p>

5 Internal control issues

We have set out below those areas of internal control weakness that we consider should be brought to the attention of the Members which arose as a result of our audit work. This does not constitute a comprehensive statement of all weaknesses that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>Reconciliation of payroll to the finance system</p> <p>The payroll system was not routinely reconciled throughout the year, which was a control weakness. There was an unreconciled difference at year end of £40k.</p> <p>If payroll is not reconciled in a timely and accurate manner, there could be over/underpayments to employees which remain undetected.</p>	<p>A monthly reconciliation should be performed between the payroll system and the general ledger.</p> <p>This should be reviewed and signed off by a senior member of the finance team.</p>	<p>When payroll compilation was contracted out to Macclesfield BC the payroll reporting tool link (Business Objects) was never reinstated. Consequently the monthly "Total" payroll reconciliation to general ledger is a very time consuming exercise. However all key payroll deduction accounts were reconciled to the general ledger on a monthly basis along with rigorous scrutiny by finance team members during the budget monitoring process. The annual reconciliation of gross pay resulted in a variance of 0.34% which is considered acceptable by management.</p>	<p>The payroll has now transferred to Cheshire East.</p>

Fact and potential consequence	Possible action	Management response	Timing of implementation and responsibility
<p>Personnel records</p> <p>There was not up to date information on personnel files of what pay grade/scale an employee was on; the Council instead relied entirely on the payroll system to provide accurate information.</p> <p>If an incorrect entry was input into the payroll system, it would never get picked up, as there are no supporting documents to say what an employee should or should not be getting paid.</p>	<p>Every time an employee gets an amendment to pay, this should be input into their relevant personnel file, and a check subsequently made to ensure that payroll has been updated appropriately.</p>	<p>A pro-forma was developed and used as from February 2009. This allowed for a file records to be created, signed by authorising manager and stored on personnel file to keep an audit track of changes to terms and conditions.</p> <p>An audit of the HR system and the payroll system was carried out before the upload of data to Oracle.</p>	<p>All personnel records have now been transferred to Cheshire East following the successful completion of the payroll audit.</p>

6 Significant accounting policies, disclosures and estimates

During the course of our audit, we reviewed the adequacy of the accounting policies, disclosures and estimates contained within the financial statements and their compliance with both relevant accounting standards and the requirements of CIPFA's Accounting Code of Practice and the local government SORP. Following discussion with management the Council expanded its disclosures concerning financial instruments but there were no matters of significance warranting members' attention. The following issues were also noted at audit:

Sale of the trade waste business

The sale of the trade waste business in the year was not disclosed as a discontinuing operation on the basis of materiality. Given that the net income for the previous year was £49k, this was deemed to be reasonable.

Council tax note to the collection fund

The note setting out how council tax was calculated for the year appears to lack simplicity when compared to council tax notes prepared by neighbouring authorities. However, given the impending LGR and the subsequent convergence of the council tax note, it was deemed acceptable that the note was left unaltered.

7 Uncertainties, risks, exposures, judgemental issues and going concern

We have not identified, during the course of our work, any significant issues relating to the above matters that we consider should be brought to the attention of Members. The major local government reorganisation in Cheshire, which led to the Council's demise on 31st March 2009 and the establishment of the successor Unitary Authority, is properly reflected in the notes to the accounts.

Set out below, for completeness, are the matters of judgement that we have identified during the course of our work, that we consider should be brought to the attention of Members:

Key Issue	Audit Impact	Resolution
Bad debt provision The provisions made for bad and doubtful debt are subject to a considerable amount of judgement as they are formula based.	The Council has taken action to ensure provisions reflect the changing economic situation and debt profile but due to subjectivity in this area potential risk remains.	The provisions seemed broadly reasonable, so no specific conclusions can be made as it is a judgemental area. However, the Council should continue to monitor these debts closely as they are gradually increasing, and ensure appropriate action is taken to maximise recoverability.
Single status obligations The likely cost of pay equalisation is currently disclosed as a contingent liability, and the cost has not been recognised in the accounts. In addition, there has been a significant degree of estimation in the figure currently disclosed.	There could be a future obligation resulting from a past event that is being excluded from the 2008/09 reported results.	CBC had not completed the single status review during the lifetime of the authority and as a result the potential future costs have not been included in the financial statements.

8 Unadjusted/adjusted misstatements

A summary of the unadjusted/adjusted errors identified during the course of our work is set out below, analysed between errors of fact and differences in judgement.

We have not disclosed below those items that we consider to be “clearly trivial” in the context of our audit. For this purpose we consider “clearly trivial” to be any matter less than £5,000 individually and in aggregate.

Account	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
Depot Costs						
Dr Non-distributed income	133					
Cr Non-distributed expenditure	(133)					
Being the adjustment to reverse the posting of depot costs income and expenditure twice.						
Admin subsidy						
Dr Housing services expenditure	402					
Cr Housing services income	(402)					
Dr Central services expenditure	144					
Cr Central services income	(144)					
Being the adjustment to reverse the netting off on admin subsidy income and expenditure.						
Communications						
Dr Corporate and democratic income	71					
Dr Corporate and democratic expenditure	(71)					
Being the adjustment to reverse the grossing up of income and expenditure via a re-apportioned cost code.						
Specific bad debt provision						
Dr Non-distributed expenditure			28			
Cr Cultural related services income			(28)			
Being the adjustment to re-analyse the ‘gorgeous generation’ bad debt provision to non-distributed costs.						

Account	Adjusted misstatements		Unadjusted Misstatements Factual		Unadjusted Misstatements Judgemental	
	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s	I&E effect Dr/(Cr) £'000s	Balance Sheet effect Dr/(Cr) £'000s
Claim form amendment Dr Housing subsidy income Cr Housing subsidy debtor			47	(47)		
Being the adjustment due to the error found on the housing benefit subsidy claim form and the subsequent replacement form.						
Totals	=	=	<u>47</u>	<u>(47)</u>	=	=

9 Fees

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, we set out below the fees charged and, as at 30 September 2009, the amount of agreed contracts for services and submitted written proposals, to CBC by all entities within the Baker Tilly UK Holdings Limited group, companies in which Baker Tilly UK Audit LLP members are directors (details of which are available from your audit principal) and all firms that are members of the Baker Tilly International network

The table sets out a comparison between our planned fees as shown in our 2008/09 audit plan and the 2008/09 outturn.

Code area	2008/09 planned fees £	2008/09 estimated outturn fees £
Audit of the Accounts	45,000	45,000
Use of Resources/ Value for Money Conclusion/Data Quality/Community Cohesion study/BVPP and BVPIs	40,500	38,500
Whole of Government accounts	2,500	2,500
LGR	20,000	22,000
TOTAL	108,000	108,000

10 Use of Resources

Value for money (VfM) conclusion

The VfM conclusion is an overall assessment drawing on the Use of Resources KLOEs, any work on the BV Performance Indicator's and any inspection activity carried out by Audit Commission. Our work this year was based on the Audit Commission's 2008/09 Value for Money Code Criteria for demising authorities. Having made the assessment against the criteria we have concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2009. Our proposed opinion is outlined as part of **Appendix C**.

11 Independence

In accordance with International Standard on Auditing (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, there are no changes to the details of relationships between Baker Tilly UK Audit LLP and its related entities and CBC and its related entities that may reasonably be thought to bear on Baker Tilly UK Audit LLP’s independence and the objectivity of the audit principal, Mr D. Buxton and the audit staff and the related safeguards from those disclosed in the Audit & Inspection Plan dated June 2008 and updated on 25 June 2009.

Non-audit services provided by related entities to Congleton Borough Council and its related entities: None

In our professional judgement, Baker Tilly UK Audit LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the principal, Mr David Buxton and the audit staff is not impaired.

This confirmation has been prepared for the sole use of Cheshire East Council. It must not be disclosed to a third party, or quoted or referred to, without Baker Tilly UK Audit LLP’s written consent. No responsibility is assumed by Baker Tilly UK Audit LLP to any other person.

Appendix A – Responsibilities of auditors and the Council

Introduction to responsibilities

Those who are responsible for the conduct of public business and spending public money are accountable for ensuring both that public 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.

In discharging this accountability, public bodies and their management (both members and officers) are responsible for putting in place proper arrangements for the governance of their affairs and the stewardship of the resources at their disposal. They are also required to report on their arrangements in their annual published Statements on Internal Control.

The following paragraphs summarise the responsibilities of auditors and of audited bodies in relation to the responsibilities of auditors described in the Audit Commission's Code of Audit Practice (the Code).

Auditing the financial statements

The financial statements, which comprise the published accounts of the Council, are an essential means by which it accounts for its stewardship of the resources at its disposal and its financial performance in the use of those resources. It is the responsibility of the Council to:

- put in place systems of internal control to ensure the regularity and lawfulness of transactions;
- maintain proper accounting records; and
- prepare financial statements that present fairly the financial position of the body and its expenditure and income.

The Council is also responsible for preparing and publishing with its financial statements a statement on internal control. We audit the financial statements and give our opinion, including:

- whether they present fairly the financial position of the Council and its expenditure and income for the year in question; and
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

In carrying out the audit of the financial statements, we have regard to the concept of materiality and subject to this, we provide reasonable assurance that the financial statements:

- are free from material misstatement, whether caused by fraud or other irregularity or error;
- comply with statutory and other applicable requirements; and
- comply with all relevant requirements for accounting presentation and disclosure.

We examine selected transactions and balances on a test basis and assess the significant estimates and judgments made by the Council in preparing the statements.

We also evaluate significant financial systems, and the associated internal financial controls, for the purpose of giving their opinion on the financial statements. Where we identify any weaknesses in such systems and controls, we draw them to the attention of the Council, but cannot be expected to identify all weaknesses that may exist.

We review whether the annual governance statement has been presented in accordance with relevant requirements and report if it does not meet these requirements or if it is misleading or inconsistent with other information of which we are aware. In doing so we take into account the knowledge of the Council gained through our work in relation to the audit of the financial statements and through our work in relation to the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources. We are not required to consider whether the annual governance statement covers all risks and controls, nor are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or risk and control procedures.

Responsibilities in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources

It is the responsibility of the Council to put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of them. Such corporate performance management and financial management arrangements form a key part of the system of internal control and comprise the arrangements for:

- establishing strategic and operational objectives;
- determining policy and making decisions;
- ensuring that services meet the needs of users and taxpayers and for engaging with the wider community;
- ensuring compliance with established policies, procedures, laws and regulations;
- identifying, evaluating and managing operational and financial risks and opportunities, including those arising from involvement in partnerships and joint working;
- ensuring compliance with the general duty of best value, where applicable;
- managing its financial and other resources, including arrangements to safeguard the financial standing of the audited body;
- monitoring and reviewing performance, including arrangements to ensure data quality; and
- ensuring that the audited body's affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption.

The Council is responsible for reporting on these arrangements as part of its annual governance statement.

We have a responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In meeting this responsibility we should review and, where appropriate, examine evidence that is relevant to the Council's corporate performance management and financial management arrangements, as summarised above, and report on these arrangements. We also have a responsibility to consider, and report on, the Council's compliance with statutory requirements in respect of the preparation and publication of its best value performance plan.

We are responsible for reporting annually our conclusion, having regard to relevant criteria specified by the Audit Commission, as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We report if significant matters have come to our attention that prevent us from concluding that the Council has put in place proper arrangements. However, we are not required to consider whether aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are effective.

In planning our audit work in relation to the arrangements for securing economy, efficiency and effectiveness in the use of resources, we consider and assess the relevant significant business risks. These are the significant operational and financial risks to the achievement of the Council's statutory functions and objectives, which apply to the Council and are relevant to our responsibilities under the Code, and the arrangements it has put in place to manage these risks. Our assessment of what is significant is a matter of professional judgment and includes consideration of both the quantitative and qualitative aspects of the item or subject matter in question. When assessing risk we consider:

- the relevance and significance of the potential business risks faced by all bodies of a particular type;
- other risks that apply specifically to the Council;
- the Council's own assessment of the risks it faces; and
- the arrangements put in place by the Council to manage and address its risks.

In assessing risks we have regard to:

- evidence gained from previous audit work, including the response of the Council to previous audit work;
- the results of assessments of performance carried out by the Commission;
- the work of other statutory inspectorates; and
- relevant improvement needs, identified in discussion with the Commission or other statutory inspectorates.

Where we rely on the reports of statutory inspectorates as evidence relevant to the Council's corporate performance management and financial management arrangements, the conclusions and judgments in such reports remain the responsibility of the relevant inspectorate or review Council.

In reviewing the Council's arrangements for its use of resources, it is not part of our functions to question the merits of the policies of the Council, but we may examine the arrangements by which policy decisions are reached and consider the effects of the implementation of policy. It is the responsibility of the Council to decide whether and how to implement any recommendations made by us. In making any recommendations we do not have any role in the decision-making arrangements of the Council.

While we may review the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources, we cannot be relied on to have identified every weakness or every opportunity for improvement. The Council should consider our conclusions and recommendations in their broader operational or other relevant context.

We are not required to report to you on the accuracy of performance information that you publish. Our work is limited to a review of the systems put in place by the Council to collect, record and publish the information, in accordance with guidance issued by the Audit Commission. Nor are we required to form a view on the completeness or accuracy of the information or the realism and achievability of the assessments published by the Council.

Audit work in relation to the Council's arrangements to ensure that its affairs are managed in accordance with proper standards of financial conduct, and to prevent and detect fraud and corruption, does not remove the possibility that breaches of proper standards of financial conduct, or fraud and corruption, have occurred and remained undetected. Nor is it our responsibility to prevent or detect breaches of proper standards of financial conduct, or fraud and corruption, although we are alert to the possibility and will act promptly if grounds for suspicion come to our notice.

Appendix B – Draft letter of representation

TO BE TYPED ON COUNCIL'S LETTERHEAD

Baker Tilly UK Audit LLP
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

Date:

Dear Sirs

AUDIT OF FINANCIAL STATEMENTS – 31ST MARCH 2009

We confirm, to the best of our knowledge and belief, having made appropriate enquiries of other members, directors and officers and having received a letter of representation from the former S151 Officer of Congleton Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31st March 2009.

1. We acknowledge as Members and as the Borough Treasurer and Head of Assets our responsibility for the financial statements. All the accounting records have been made available to you for the purpose of your audit and all transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information and explanations, including minutes of all Council and sub Committee meetings held between the beginning of the accounting period and the date of this letter, have been made available to you.
2. We confirm that we have taken all the steps that we ought to have taken as Members/ Borough Treasurer and Head of Assets in order to make ourselves aware of any relevant audit information and to establish that it has been communicated to the auditors. We confirm that, as far as we are aware, there is no relevant audit information of which the auditors are unaware.
3. We confirm that:

- a. We acknowledge responsibility for the design and implementation of internal control to prevent and detect fraud and error;
 - b. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud;
 - c. We have disclosed to you our knowledge of fraud and suspected fraud affecting the Council involving:
 - i. Management;
 - ii. Employees who have significant roles in internal control; and
 - iii. Others where the fraud could have a material effect on the financial statements; and
 - d. We have disclosed to you our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.
4. We have not adjusted the misstatements as set out in Section 8 of the Audit Findings Report and attached to this letter, on the grounds on immateriality.
 5. We confirm that full disclosure is made in the financial statements of:
 - a. any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans, or credit transactions) for Members/directors or any guarantee or provision of security for Members/directors;
 - b. the identity of the party which controls the Council, if any;
 - c. transactions and balances with related parties including:
 - i. the names of the transacting parties;
 - ii. a description of the relationship between the parties;
 - iii. a description of the transactions;
 - iv. the amounts involved;

- v. any other elements of the transactions necessary for an understanding of the financial statements;
 - vi. the amounts due to or from related parties at the balance sheet date and provisions for doubtful debts due from such parties at that date; and
 - vii. amounts written off in the period in respect of debts due to or from related parties.
- d. outstanding capital commitments contracted for at the balance sheet date.
- e. all contingent liabilities including details of pending litigation and material claims against the Council.
- f. All guarantees, warranties or other financial commitments.
6. We have disclosed all events of which we are aware which involve possible non-compliance with those laws and regulations which provide a legal framework within which the Council conducts its business and which are central to its ability to conduct that business. We have also notified you of the actual or contingent consequences which may arise from such non-compliance.
7. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
8. There have been no events (other than those already disclosed in the financial statements) since the balance sheet date, which necessitate revision of the figures in the financial statements or inclusion of a note thereto. Should such further material events occur prior to your signature of the audit report we will advise you accordingly.

9. We are satisfied that the information underlying the valuation of the pension scheme liabilities is consistent with our knowledge of the Council and that the information provided to the scheme actuary to calculate the present value of scheme liabilities is complete and accurate.

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

The contents of this letter were considered and approved by the Governance and Constitution Committee at its meeting on 30 September 2009.

Yours faithfully

Signed on behalf of Cheshire East Council (in relation to the demised authority of Congleton Borough Council)

Lisa Quinn
Borough Treasurer and Head of Assets.

Councillor Wesley Fitzgerald
Leader of the Council

Appendix C – Draft audit report

Independent Auditor's report to the Members of Cheshire East Council in respect of the accounting statements of the demised Congleton Borough Council

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Congleton Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Cheshire East Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Borough Treasurer and Head of Asset's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Foreword by the Borough Treasurer and Head of Assets. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

Opinion

In our opinion:

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

XXXXXXXXXXXXX
Chartered Accountants,
3 Hardman Street,
Manchester,
M3 3HF

Date:

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and

effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for demising local authorities specified by the Audit Commission and published in December 2008, we are satisfied that, in all significant respects, Congleton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

XXXXXXXXXXXXXXXXXXXXX
Chartered Accountants,
3 Hardman Street,
Manchester,
M3 3HF

Date:

Our reference MA001A

15 September 2009

The Governance and Constitution Committee
Cheshire East Council
Westfields
Middlewich Road
Sandbach
Cheshire CW11 1HZ

Direct line 0844 798 3556
Email j-tench@audit-
commission.gov.uk

Dear Ladies and Gentlemen

Demised Macclesfield Borough Council 2008/09 Annual Governance Report

I am pleased to present my report on the results of my audit work for 2008/09. A draft of the report was discussed and agreed with officers on 16 September 2009. It has been updated since as issues have been resolved.

At the time of writing my audit work is incomplete. I expect to complete all the outstanding work to enable me to give my opinion on the accounts, as planned, on 30 September 2009. I will provide you with an oral update on any matters arising when we meet.

The attached report sets out the key issues that you should consider before I complete the audit. It asks you to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 8);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2); and
- agree to adjust the errors in the financial statements I have identified, which management has declined to amend or set out the reasons for not amending the errors; (Appendix 3); approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4).

I also enclose a copy, for information, of my final Annual Governance Report in respect of Cheshire County Council.

I will attend the Governance and Constitution Committee on 30 September to present these reports.

Yours faithfully

Judith Tench
District Auditor

Annual Governance Report

Macclesfield Borough Council

Audit 2008/09

September 2009

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Key messages

This report summarises the findings from the 2008/09 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess how well you use and manage your resources to deliver value for money and better and sustainable outcomes for local people.

Financial Statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	No	6
Arrangements to secure value for money	Yes	10

Audit opinion

- 1 My audit of your financial statements is largely complete. My team are completing work in a few areas and I need to complete my final review procedures. Subject to satisfactory clearance of the outstanding matters I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report. I will provide an update on any outstanding issues to the Governance and Constitution Committee on 30 September 2009.
- 2 I may be unable to give my certificate on completion of my audit work due to outstanding correspondence with an elector. I will provide members with an oral update on this matter.

Financial statements

- 3 I identified three material misstatements in the financial statements which have been amended. The material misstatements affected the classification or disclosure of transactions and as such had no impact on the reported deficit on the Income and Expenditure Account or the reported General Fund balance.
- 4 There were a number of other misstatements that were not material in size or nature. One of these items increases the deficit on the Council's Income and Expenditure account by £282,000. This was an understatement of net pension costs as determined by FRS 17. This charge is reversed out through the Statement of Movement on General Fund Balance and has no impact on the reported general Fund Balance. Apart from two, all of these misstatements have been corrected and a full analysis is provided in Appendix 2. The two unadjusted misstatements are set out in Appendix 3, these are:
 - old un-presented cheques of £23,000 included in debtors; and
 - the incorrect disclosure of members allowances - £22,000 of expenses paid has not been disclosed.

Use of resources

- 5** My assessment of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources, the value for money conclusion, is complete. I plan to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in its use of resources. Appendix 1 contains the wording of my draft report.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

6 I ask the Governance and Constitution Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 8);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements which officers have declined to amend or set out the reasons for not amending the errors (Appendix 3);
- take note of the VFM Conclusion;
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and

7 I will complete the outstanding testing and if any further issues emerge I will report these to the Chair of the Committee and provide an update to the Committee on 30 September 2009.

Audit Fees

- 8** The Council's general fund balance reduced from £2,434,000 at 31 March 2008 to £736,000 at 31 March 2009. The level of the general fund is a key factor in my assessment of audit materiality and I have had to apply a level of materiality which is 25 per cent lower than in 2007/08. As a consequence of this, I have significantly increased the number of items included in my sample testing and to reduce the level at which I would consider issues and errors to be significant. This additional work has increased the cost of the audit beyond that which I had anticipated in the audit plan. Following the conclusion of the audit I will discuss any fee implications with the Borough Treasurer and Head of Assets alongside my ongoing audit of Cheshire East Council for 2009/10.

Acknowledgements

- 9** I would like to take this opportunity to thank officers for their continued support, and professionalism during the audit.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As members of Cheshire East Council, you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 10 My audit of your financial statements is largely complete. My team are still completing a number of elements of the audit and I need to complete my final review procedures.
- 11 The main element of my work that remains to be completed is the testing of a sample of 40 cases that form part of the Housing and Council Tax benefit claim. The Audit Commission requires auditors of high risk claims, which include those prepared for Councils subject to Local Government Reorganisation, to complete this work and to consider the results before giving their opinion on the financial statements.
- 12 Subject to satisfactory clearance of the outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report. At the time of writing my ongoing work includes my review of:
 - post balance sheet events;
 - a sample of transactions within the income and expenditure account;
 - housing benefits; and
 - the amended financial statements.
- 13 I may not be able to issue my certificate confirming closure of the audit until after 30 September 2009 due to outstanding correspondence with an elector. This will not prevent the Council from publishing its accounts as required by the Audit and Accounts Regulations 2003.

Errors in the financial statements

Adjusted Misstatements

- 14 The financial statements presented for audit contained a number of misstatements which officers have agreed to amend. These errors do not impact upon the reported deficit on the income and expenditure account or the balance on general fund:
 - Misclassification of curtailment costs determined under FRS 17 of £923,000. These had been included in the analysis of service costs however the curtailments arise out the redundancies associated with local government re-organisation and as such should be included in the exceptional item.

Financial statements

- Two errors on the cash flow statement:
 - under statement of the proceeds from the disposal of fixed assets by £1,212,000 as disclosed in the cash flow statement; and
 - inclusion of a non-cash transaction, (£1,112,000), within the cash flow statement.

Neither of these items had any impact on the reported cash balance.

15 In addition to the material items there were a number of other misstatements.

- The net charge to services in respect of pension costs as determined under FRS17 was understated by £282,000. This error increased the deficit on the income and expenditure account. It is reversed in the Statement of Movement on General Fund Balance and so has no impact on the General Fund.
- The Statement of Total Recognised Gains and Losses did not show the impact of the prior year adjustment to the opening pension liability on the pension reserve, £374,000.
- The figure for trade receivables, disclosed in note 42 - Financial Instruments, included prepayments of £666,000. The comparative figure included prepayments of £1,501,000. These are disclosure errors.
- The Collection fund balance within the Collection Fund Balance Sheet of £(604,000) did not agree with the balance reported elsewhere of £(502,000)

16 All these misstatements have been corrected and a full analysis is provided in Appendix 2.

Unadjusted misstatements

17 I identified two misstatements that have not been adjusted, these are set out in Appendix 3:

- old un-presented cheques of £23,000 included in debtors; and
- members allowances disclosed in the notes to the financial statements do not include £22,000 of expenses recorded in the general ledger and properly charged through the Income and Expenditure Account.

Key areas of judgement and audit risk

18 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit. My findings are set out in Table 1.

Table 1 **Key areas of judgement and audit risk**

Issue or risk	Finding
The recession may have led to material falls in the values of the Council's land and buildings, known as impairments.	The Council considered the impact of the recession on the value of its land and buildings which had not been covered by its programme of cyclical valuations. This review concluded that earlier increases in values would have been sufficient to meet any falls in value during 2008/09. I have reviewed the valuation and property indices evidence provided to support this conclusion. I accept that it is reasonable for most of the Council's assets.
The financial pressures resulting from the recession and the need to fund severance costs increases the risk that the outturn may have been manipulated to present a more favourable financial position than would otherwise have been the case.	I have found no evidence to suggest that the Council has manipulated the financial position shown in the financial statements.
The disclosure of the impact of LGR within the financial statements may be incomplete and/or incorrect. (There is extensive disclosure of LGR in the financial statements.)	The Council has followed the appropriate accounting treatment in preparing its financial statements on a going concern basis and in showing the income and expenditure account as discontinued operations. LGR is also reflected in the explanatory foreword and the accounting policies. I have considered and compared the LGR-related disclosures made in all the financial statements for which Cheshire East Council are the successor body. As a result of this, the accounting policy and exceptional item disclosures have been revised to ensure greater consistency and to make clear the basis on which transition costs were borne by each council.
The accounting treatment of severance and other transition costs may be incorrect. (The Council has disclosed the severance and other transition costs as an exceptional item within the income and expenditure account.)	The Council has followed the appropriate accounting treatment. However, the curtailment costs of officers who left the Council as a result of LGR-related severance have been included within the analysis of service costs instead of within the exceptional item. The financial statements have been amended. I have also reviewed the process that was followed in making the decisions in respect of the severances that took place on 31 March 2009. I am considering a complaint received from an elector regarding these decisions and the associated payments.

Accounting practice and financial reporting

- 19** I recognise that LGR has meant that it has been a major challenge to prepare the Council's final financial statements and to deal with the audit of them. Directors and senior officers who would in the past have been involved in the process either left the Council on 31 March 2009 or have taken on new roles within Cheshire East. In this context, it is a significant achievement that the financial statements have been prepared to a good standard and that officers have been able to provide the necessary support to the audit process.
- 20** I consider the qualitative aspects of your financial reporting and I wish to draw the following matters to your attention:
- There were eight errors or inconsistencies between the primary statements and the supporting notes, these ranged from rounding differences to inconsistencies between total expenditure reported in the Introduction to the Statement of Accounts with similar figures in the Income and Expenditure Account. Such inconsistencies increase the risk of misreporting a material transaction or balance and should be picked up by internal quality checks including proof reading.
 - The Council could not provide the original documentation to confirm the authorisation of one of the closedown journals. This undermines the Council's quality assurance process for the financial statements. Evidence that material adjustments have been properly authorised should be retained.
 - The sundry debtors' bad debt provision has been determined using the same percentages as applied in previous years and not recent experience of default. This increases the risk that Council does not make adequate provision against bad debts. Sundry debtors over three months old have risen from £33,000 at 31 March 2008 to £173,000 at 31 March 2009. The opening provision against these debts was £4,600 but the debts written off were £6,000, a similar trend this year would lead to nearly £9,000 of un-provided bad debts. The bad debt provision should be reviewed each year against the actual incidence of default.
 - Officers have told me that temporary investments have been reviewed for measurement, valuation and impairment but this review has not been formally documented. This increases the risk that the Council fails to make adequate provision for losses in the value of temporary investments. All such reviews should be formally documented and retained for audit purposes.
- 21** The above issues have been discussed with and accepted by officers. They are reported here to help you fulfil your role as those charged with governance.
- 22** Looking forward, it is important that Cheshire East Council ensures that as part of its opening balance sheet process it has a full understanding of the balances that it has inherited from this and the other predecessor councils.

Recommendation

R1 As part of Cheshire East Council's opening balance sheet process:

- determine the appropriate level of earmarked reserves, and
- obtain a full understanding of the balances that have been transferred.

Letter of representation

- 23** Before I issue my opinion, auditing standards require me to obtain appropriate written representations from you and management about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation I seek to obtain from you.

Use of resources

I am required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

Value for money conclusion

- 24** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. The Audit Commission has produced specific guidance for the assessment of councils affected by LGR. The assessment uses the same 12 criteria as last year, which are listed in Appendix 5. The work required has been adapted to reflect the particular circumstances of these councils. The assessment considered whether councils maintained adequate governance arrangements and service performance in their final year and also whether they worked effectively with their successor council to ensure a smooth handover of responsibilities.
- 25** I reported my provisional assessment to Macclesfield Borough Council's Audit Committee in March 2009. I concluded that I intended to issue an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. I confirm that I have now completed my assessment and that my conclusion remains unchanged. Appendix 1 contains the wording of my draft report.
- 26** My detailed findings are included in the report that I presented to Macclesfield Borough Council. I have provided a copy of that report to the Borough Treasurer and Head of Assets - it is available for members to see if they wish. I highlighted the following key issues specific to Macclesfield Borough Council that will need to continue to be addressed by Cheshire East Council:
- developing systems to ensure that services provide value for money;
 - ensuring that the allocation of transition costs between the former councils is transparent;
 - taking forward the Leisure Review and the rescheduling of refuse collection rounds - both of these were postponed because of LGR; and
 - ensuring arrangements are in place to deliver continued improvements in data quality.

Appendix 1 – Independent auditor's report to Members of Cheshire East Council on the Financial Statements of the demised Macclesfield Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Macclesfield Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Cheshire East Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Section 151 Officer and auditor

The Section 151 Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

Appendix 1 – Independent auditor’s report to Members of Cheshire East Council on the Financial Statements of the demised Macclesfield Borough Council

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Introduction to the Statement of Accounts. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed. I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

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

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for (principal local authorities/other local government bodies). I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the relevant criteria specified by the Audit Commission for principal local authorities, published in December 2006, and the supporting guidance, I am satisfied that, in all significant respects, Macclesfield Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Appendix 1 – Independent auditor's report to Members of Cheshire East Council on the Financial Statements of the demised Macclesfield Borough Council

Certificate (note - this is dependent upon outstanding correspondence with an elector)

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Judith Tench

(Officer of the Audit Commission)

First Floor, Block 4

The Heath technical and Business Park

The Heath

Runcorn WA7 4QF

30 September 2009

Appendix 2 – Adjusted misstatements in the accounts

- 1 The following misstatements were identified during the course of my audit and the financial statements have been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities.

Table 2

		Income and Expenditure Account		Balance Sheet	
Adjusted misstatements	Nature of Adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Service Costs	Pension costs un FRS17 understated	282			
Service Costs	misclassification of curtailment costs under FRS17		923		
Exceptional item		923			

Cash flow statement			
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s
proceeds from disposals	understated proceeds from the sale of fixed assets		1,212
other capital payments	inclusion of a non-cash transaction		1,112

Statement of Total Recognised Gains			
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s
prior year adjustment	re-statement of pensions liability- impact on pensions reserve	374	

Collection Fund Balance Sheet			
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s
Fund balance	Inconsistency between balance sheet and analysis of the fund at note 2		102

Notes to the financial statements			
Note	Nature of adjustment	Dr £000s	Cr £000s
42- financial instruments analysis	remove prepayment from the figure for trade receivables		666
42- financial instruments	remove prepayment from the figure for trade receivables comparative figures		1,501

Appendix 3 – Unadjusted misstatements in the accounts

- 1** The following misstatements were identified during the course of my audit and the financial statements have not been adjusted by management. I bring them to your attention to assist you in fulfilling your governance responsibilities. If you decide not to change the financial statements, please tell me why in your letter of representation. If you believe the effect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in your letter. Please also attach a schedule of the uncorrected errors to the letter.

Table 3

Description of error	Accounts affected	Value of error £000s
Old un-presented cheques included in debtors	Debtors	23
Omission of expenses from members Allowances note	Disclosure only	22

Appendix 4 – Draft letter of representation

To:

Judith Tench

First Floor, Block 4

The Heath Technical and Business Park

The Heath

Runcorn WA7 4QF

Demised Macclesfield Borough Council - Audit for the year ended 31 March 2009

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers, of Cheshire East Council in respect of the Demised Macclesfield Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the ended 31 March 2009.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within Cheshire East Council and the reasons for not correcting these items are as follows;

- The correction of the old unpresented cheques would have a neutral effect on the reported deficit, the balance on general fund and the net assets of the Council.
- Neither the correction of the old unpresented cheques, or the members' allowances disclosures would not aid or improve a reader's understanding of the financial statements.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures relating to going concern.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For temporary investments assumption, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts. Except as disclosed in Note 26 to the financial statements we have no other lines of credit arrangements.

Appendix 4 – Draft letter of representation**Contingent liabilities**

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Signed on behalf of Cheshire East Council in respect of the demised Macclesfield Borough Council
I confirm that this letter has been discussed and agreed by the Council's Governance and Constitution Committee on 30 September.

Signed

Lisa Quinn MAAT, CPFA

Borough Treasurer Cheshire East Council

30 September 2009

Schedule: Unadjusted Misstatements

Description of error	Accounts affected	Value of error £000s
Old un-presented cheques included in debtors	Debtors	23
Omission of expenses from members Allowances note	Disclosure only	22

Appendix 5 – Value for money conclusion

Table 4

Value for Money Criteria	Met
Setting, reviewing and implementing objectives	Yes
Ensuring that services meet the needs of users	Yes
Monitoring and reviewing performance	Yes
Ensure data quality	Yes
Maintain sound system of internal control	Yes
Risk management arrangements	Yes
Manage and improve vfm	Yes
Financial strategy to deliver strategic priorities	Yes
Match resources to spending	Yes
Match performance to budgets	Yes
Management of asset base	Yes
Ensure probity and propriety	Yes

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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www.audit-commission.gov.uk

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CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of meeting: 30 September 2009
Report of: Head of Internal Audit and Compliance
Title: Internal Audit Strategy

1.0 Purpose of Report

- 1.1 The purpose of this report is to present the Internal Audit strategy to the Committee. The strategy is attached as Appendix A.

2.0 Background

- 2.1 The CIPFA Code of Practice for Internal Audit in Local Government suggests that it is good practice to have a Terms of Reference for Internal Audit as well as an Internal Audit Strategy document. The Terms of Reference were approved at the June meeting of this Committee.
- 2.2 Internal Audit is a function required under Section 151 of the Local Governance Act 1972 and the Accounts and Audit Regulations 2003. It is an integral part of the governance framework of the Council and supports continuous improvement and the maximising of efficiency.
- 2.3 The strategy sets out the specific way that the statutory requirement to have an internal audit of the authority will be provided in Cheshire East and covers; scope and authority; status; delivery; contribution to corporate governance, risk management and internal control; relationships and linkages; culture and working practices.

3.0 Recommendations

- 3.1 That the Internal Audit Strategy be endorsed.

4.0 Financial Implications for Transition Costs

- 4.1 None.

5.0 Financial Implications 2009/10 and beyond

- 5.1 The audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The budget for the internal audit function currently provides for sufficient staffing levels to fulfil this function. There are, however, a number of budget issues still to be resolved, not least the area of training where the section currently has no budget. There are also a number of skills gaps which need to be addressed during the recruitment and matching process.

6.0 Legal Implications

- 6.1 The existence of internal audit derives from a number of statutes as identified earlier in the report.

7.0 Risk Assessment

- 7.1 Internal Audit is part of the overall risk management of the authority. Lack of appropriate controls could damage the reputation of the Council, lead to inefficiency and increases the risk of fraudulent activity.
- 7.2 A risk based approach to audit will be taken, linking the audit plan to corporate risks and to the fraud risk register.

8.0 Training

- 8.1 There are a number of areas of training required to assist continuous professional development of qualified staff, professionally qualify existing staff and to upskill staff as audit practices develop. Officers investigating allegations of fraud and corruption must possess good knowledge of relevant legislation such as the Fraud Act 2006, Theft Act 1968, Theft Act 1978, PACE 1984, Employment Law, DPA 1998, RIPA 2000 and the Council's investigation procedure.
- 8.2 A programme of internal audit staff training is being developed the first three areas are risk based auditing, ethical standards and "lean thinking." A programme of wider staff and member training in ethical standards, anti-fraud and corruption and standards of conduct will be part of the Corporate Training programme

9.0 Reasons for Recommendations

- 9.1 To ensure that the Council establishes an effective internal audit function with appropriate authority, status and working practices.

For further information:

Officer: Vivienne Quayle, Head of Internal Audit

Tel No: 01270-529684

Email: vivienne.quayle@cheshireeast.gov.uk

Background Documents:

Local Government Act 1972

Accounts and Audit Regulations (2003 and updated 2006)

CIPFA Internal Audit Code of Practice

INTERNAL AUDIT STRATEGY

Cheshire East Council

“Providing a high quality, cost effective service, which adapts and responds to the authority’s needs and is delivered with professionalism, expertise and a sense of ambition “

September 2009

1.0 Internal Audit Strategy - Introduction

1.1 The overall strategy of Internal Audit is:

“to deliver a risk-based audit plan in a professional, independent manner, to provide the organisation with an opinion on the level of assurance it can place on the internal control environment, and to make recommendation to improve it.”

1.2 The Terms of Reference of Internal Audit were approved by the Governance and Constitution Committee in June 2009. These are expanded upon and the measures in place to deliver these set out below.

1.3 The CIPFA Code of Practice for Internal Audit requires that the authority sets out its strategy to obtain high level commitment to:

- The way the statutory internal audit function is positioned within the authority
- The way strategic audit planning is carried out to provide the level of assurance required for the mandatory annual governance statement
- The contribution of internal audit in respect of corporate governance, risk management and internal control
- The risk-based approach to internal audit that underpins the strategic audit planning process

2.0 Definition, Objectives, Authority and Scope

2.1 This is made clear in the Terms of Reference but for clarity the key components are that:

- Internal audit is an assurance function that provides an independent and objective opinion to the Council on the control environment by evaluating its effectiveness in achieving the organisation's objectives.
- The scope of internal audit's remit includes the authority's entire control environment.
- The requirement for an internal audit function is laid out in various statutes and in particular the Accounts and Audit Regulations 2003 (amended) which states that a local authority must “maintain an adequate and effective system of internal audit”

3.0 Status and Position within the Organisation

3.1 Internal Audit is responsible to the Head of Policy and Performance for line management purposes. However, Internal Audit is independent in its planning and operation. The Head of Internal Audit is a third tier post.

3.2 The Head of Internal Audit has direct access to the Chief Executive, all levels of management and elected members. Internal Auditors shall have the authority to:

- Enter at all reasonable times any Council establishment
- Have access to all records, documents, information and correspondence relating to any financial and other transaction as considered necessary
- Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data to assist management in preventing and deterring fraud.
- Request explanations as considered necessary to satisfy themselves as to the correctness of any matter under examination
- Require any employee of the Council to produce cash, materials or any other Council property in their possession or under their control
- Access records belonging to third parties, such as contractors or partners, when required and appropriate.

4.0 Delivery of the Internal Audit Service

4.1 The Head of Internal Audit is responsible for delivering the audit service in accordance with its Terms of Reference. To ensure that this can be achieved, there are appropriate arrangements for:

- Determining and planning the work to be carried out (i.e. an audit plan based on an assessment of risk)
- Providing the resources required to deliver the audit plan (principally the level of staff and external input), the necessary skills and support facilities, equipment and management and administration processes

4.2 The establishment of an effective in-house team with the use of external contractors some specialist areas (e.g. contract audit) is the overall model of delivery. A degree of reliance will be placed on the work of Cheshire West Auditors in relation to testing on some core systems as a result of the shared services arrangements. This relationship will be developed and appropriate quality assurance mechanism put in place to ensure Cheshire East receives an adequate level and quality of coverage.

4.3 The internal audit service is committed to a risk-based approach to internal audit in line with CIPFA's code of practice. The risk-based approach will extend to the fundamental financial systems of the authority and reflect the "managed audit" relationship between internal and external audit. Work will be carried out annually, using a testing methodology consistent with external audit requirements to satisfy this aspect of internal audit's role.

4.4 Internal audit will comply with the Accounting Practices Board "Guide for Internal Auditors, as interpreted by CIPFA's Code of Practice for Internal Auditors in the UK. The Head of Internal Audit will ensure that there is an Audit Manual in place setting out expected standards for the service, and will

monitor compliance with these standards. Relevant training will be provided to ensure that auditors have the level of skills necessary to undertake their roles.

- 4.5 Internal audit's approach to audit is to undertake a continuous planning approach, assessing risk in-year and determining from this the audit requirements. The Head of Audit will produce an annual plan and will keep progress against the plan under review in conjunction with the Head of Policy and Performance and the Borough Treasurer and Head of Assets. This will also be part of the authority's performance management framework.
- 4.6 The plan sets out areas to be covered during the year and is split into five main themes; Corporate Governance, Core Systems, Key departmental systems, Anti-fraud and corruption activity and strategic reviews.
- 4.7 The plan is developed in conjunction with Directors, Heads of Service, risk management staff and emanates from the service and business plans of the Council.

5.0 Contribution to Corporate Governance, Risk Management and Internal Control

- 5.1 The Terms of Reference for Internal Audit specify that internal audit is an independent review function. The contribution that it makes to Corporate Governance, Risk Management and Internal Control arrangements reflect that role.
- 5.2 A key outcome of the annual programme of key systems work is to provide support for the Annual Governance Statement, reviewed by the Governance and Constitution Committee and signed by the Chief Executive and Leader of the Council.
- 5.3 The risk management arrangements of the authority are subject to audit on an on-going basis. The risk-based approach adopted by Internal Audit means that the risk management and audit approach are directly related and the evaluation of risk an integral part of each audit.
- 5.4 It is the professional judgement of the Head of Internal Audit that risk-based auditing is the most effective general approach. It is accepted, however, that this is not always the most effective approach e.g. where routine establishment based visits are required for consistency.
- 5.5 In order to demonstrate that assurance can be provided for the Annual Governance Statement (AGS), the internal audit annual report will;
 - Include an opinion on the overall adequacy and effectiveness of the council's governance and internal control environment
 - Disclose any qualifications to that opinion and the reasons for the qualification

- Present a summary of the audit work undertaken to formulate the opinion, including reliance place on the work by other assurance bodies

6.0 Relationships and Linkages

- 6.1 The significant reliance on shared services to provide core systems to the authority requires a close working relationship with Cheshire West and Chester Internal Audit section that goes beyond a usual networking relationship. This will be achieved through regular dialogue, a named auditor for all shared services liaison and a quality assurance process where reliance is placed on audits by non Cheshire East audit staff
- 6.2 In a high performing Council the link between Internal Audit and scrutiny is important. They are two distinct but complimentary functions of the authority in their contribution to the overall governance of the authority. The Framework for Good Governance highlights that the authority must “ develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority’s performance overall and that of any organisation for which it is responsible.” To prevent duplication and ensure issues relevant to the overall corporate governance of the authority are highlighted appropriately Internal Audit and the scrutiny function will maintain a regular and on-going dialogue. This will be achieved through the Head of Audit keeping abreast of key issues and outcomes raised by the scrutiny function and a sharing of any relevant internal audit findings with the scrutiny team.
- 6.3 An effective relationship with the Council’s external auditors is crucial to the success of both functions. This will be achieved through regular liaison meetings the Head of Audit and the Audit Manager (Audit Commission) and the maximisation of the scope for joint working.
- 6.4 Reliance on the outcomes of partner organisations to achieve the area’s objectives is becoming increasingly significant. The internal audit function will work with the partnership team to develop good governance arrangements and also build effective relationships with partner organisations particularly those strategic partners where joint outcomes are required.

7.0 Culture and Working Practices

- 7.1 Internal audit has the right of report to any level within the organisation including the Leader. However, most audit reports will be discussed at the Head of Service level with issues escalating to Corporate Management Team (CMT) based on a judgement of significance. This will also depend on the nature of the audit, particular if it is of a cross cutting nature where consideration by CMT may be essential.

- 7.2 Internal audit will actively promote strong ethical standards, behaviour and ways of working within the authority. The Head of Audit will be a member of the officer Corporate Governance Group and will encourage the development of Corporate learning and development focusing on ethics, values and an open and transparent approach to the authority's activities. Learning points from internal irregularities will be widely disseminated and action taken against those found to be perpetrating fraud or irregularity will be robust and incisive in accordance with the Anti Fraud and Corruption Policy.
- 7.3 Internal Audit will fulfil its statutory requirements and be integral to the overall culture of continuous improvement. Audit findings of an assurance nature will be complimented by other suggestions for improvement wherever these are identified and the audit mindset will always be one of adding value and integrating evaluation of risk and effective control with the overall vision of the Council to "Work together to improve community life."

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of meeting: 30 September 2009
Report of: Head of Internal Audit and Compliance
Title: Internal Audit Plan 2009/10 and Update Report

1.0 Purpose of Report

- 1.1 The purpose of the report is to update the Governance and Constitution Committee on the full audit plan 2009/10, summarise work during the first five months, highlight any key audit issues arising and describe future working arrangements.

2.0 Background

- 2.1 Internal Audit is a function required under Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations 2003. It is an integral part of the governance framework of the Council and supports continuous improvement and the maximising of efficiency.
- 2.2 The report (attached at Appendix A) covers the planning process, progress against the interim plan and the full audit plan for 2009/10. In addition it summarises findings to date, work relating to anti-fraud and corruption, work on other policies and procedures and future issues and ways of working.

3.0 Recommendations

- 3.1 That the approach to internal audit planning and the content of the internal audit plan be endorsed and the internal audit findings to date be noted.

4.0 Financial Implications for Transition Costs

- 4.1 None.

5.0 Financial Implications 2009/10 and beyond

- 5.1 The internal audit team must be appropriately staffed and resourced to comply with statutory and best practice requirements. The budget for the internal audit function currently provides for sufficient staffing levels to fulfil this function. There are, however, a number of budget issues still to be resolved, not least the area of training where the section currently has no budget. There are also a number of skills gaps which need to be addressed during the recruitment and matching process.

6.0 Legal Implications

- 6.1 The existence of internal audit derives from a number of statutes as identified earlier in the report.

7.0 Risk Assessment

- 7.1 Internal Audit is part of the overall risk management of the authority. Lack of appropriate controls could damage the reputation of the Council, lead to inefficiency and increases the risk of fraudulent activity.
- 7.2 A risk based approach to audit will be taken, linking the audit plan to corporate risks and to the fraud risk register.

8.0 Training

- 8.1 There are a number of areas of training required to assist continuous professional development of qualified staff, professionally qualify existing staff and to up skill staff as audit practices develop. Officers investigating allegations of fraud and corruption must possess good knowledge of relevant legislation such as the Fraud Act 2006, Theft Act 1968, Theft Act 1978, PACE 1984, Employment Law, DPA 1998, RIPA 2000 and the Council's investigation procedure.

9.0 Reasons for Recommendations

- 9.1 To ensure that the Committee influences the creation and implementation of an effective internal audit function and that the findings and recommendations are given appropriate attention in order to improve and give assurance on the internal controls within the authority.

For further information:

Portfolio Holder: Councillor David Brown
Officer: Vivienne Quayle, Head of Internal Audit
Tel No: 01270-529684
Email: vivienne.quayle@cheshireeast.gov.uk

Background Documents:

Local Government Act 1972
Accounts and Audit Regulations (2003 and updated 2006)
CIPFA Internal Audit Code of Practice

Report to Governance and Constitution Committee

Internal Audit Plan 2009/10 and Update

30th September 2009

1.0 Purpose

- 1.1 The purpose of the report is to update the Governance and Constitution Committee on the full audit plan 2009/10, summarise work during the first five months, highlight any key audit issues arising and describe future working arrangements.

2.0 Planning Process 2009/2010

2.1 Context

An interim internal audit plan was approved for the first four months of Cheshire East and a plan is now in place for the remainder of the year. In a year of such significant reorganisation, an annual plan, agreed in March and delivered over the 2009/10 year made little sense. Resources available were uncertain, staff across the organisation are new to posts, little consultation was possible prior to April 1st and the pace of change was high. A decision was taken to adopt an interim plan over four broad areas and then build on that for the remainder of the year based on consultation, service plans and risk assessments.

2.2 Progress against Plan

The Interim Plan was divided into four main sections, sub divided as follows:

(1) Closure/Transition Audits

This consisted of a full programme of audits across five headings: Procurement, HR, Income, Assets and ICT. This was developed jointly with Cheshire West to agree coverage of ex-County areas. The work was then sub divided into predecessor authority.

This work was extensive across the County services and the ex Districts and there are separate reports summarising the County and District findings and recommendations. There are a number of areas still outstanding namely; ICT assets cannot all be accounted for at handover (ex County) and a number of miscalculations of Voluntary redundancy (amounting to £18k). These are being progressed.

Other findings relate to numerous low- level non compliance with procedure rules and good practice e.g. orders not signed, receipts not produced for petty cash, write offs not appropriately authorised.

Many of the issues cannot be resolved retrospectively but there are a number of learning points for Cheshire East that are being reported to the appropriate department. Examples are: eligibility checks for employment were not taking place for agency staff at Macclesfield and Crewe and Nantwich Districts; leavers were not being notified within a reasonable time to payroll (Macclesfield), credit card accounts not being reviewed for accuracy or appropriateness (all), no authorised signatory list for write offs (Macclesfield).

(2) Key High Risk Areas – on going services

This consisted of a themed review of all high risk cash income services including all Leisure and culture, Tatton Park and Car Parking. The reviews was focused on basic controls and consistency across the new Borough, a challenge to the collection methodology (i.e. why do we collect cash at all, is there a better way of collecting cash; machines rather than people) and an overall review of Charging policy across the Borough including any potential income generation areas not currently being progressed (using the Audit Commission's "Positively Charged" as a base). A number of unplanned audits were completed that arose during the period e.g. review of Members' allowances process.

The interim plan has been achieved although work on Leisure venues is on-going as a result of the high number of establishments and the extent of some of the system improvements identified.

Separate reports have been issued on each of these areas and the key findings to note are:

- There are a number of improvements required to the process for administering member's allowances and the Head of Service is currently compiling a management response to address these.
- Charging – the report on this is currently issued in draft form with suggested actions awaiting a management response. This report will be circulated to CMT as it is relevant to all services. The key findings in are:
 - The Council does not yet have a Corporate Charging Policy.
 - Fees and charges are usually increased for inflation without more detailed examination of the fees in relation to cost of service and other factors.
 - Of the services included in the review, only Health and Wellbeing are yet to complete the harmonisation of prices.
 - Although the income collection methods used were generally appropriate, the Council does not yet have an Income Collection policy, and as a result there are slight variations in approach across services, which could benefit from further review.
 - The Council has a slightly inconsistent approach to concessionary access to services.

- Limited information on fees and charges is included in the budget setting process.
 - There may be opportunities to generate income which the Council is not currently taking advantage of.
-
- Systems in place at Leisure venues differ significantly. There are some poor practices in place which have led to a number of potential irregularities and concerns about capability of staff. These have been reported to the Head of Service and additional audit work is being completed. It is not unusual for weaknesses of control to be identified at remote locations where few staff are on duty at any one time and there is constant, direct customer interface. However, this area requires attention. The Head of Service and senior managers have taken appropriate action to date and this work is on-going.

(3) Governance Issues

This consisted of reviews of the predecessor authority Annual Governance Statements and Letters of Representation (to the Section 151 officer), setting up the framework for Governance for accounting and Internal Audit, taking an active role in the setting up of shared services and future working and reviewing third party and partnership arrangements from a governance perspective. It also included a review of plans to implement the International Financial Reporting Standard (IFRS).

Work on IFRS has not yet taken place but this will be progressed during the next quarter. In addition, further work is required on the governance of partnerships and some assurance work that we comply with best practice. Some progress has been made in that we now have a draft Local Corporate Governance Code, a Risk Management Strategy, an Anti-Fraud and Corruption Strategy, Whistle blowing awareness raising, a programme of training and awareness raising with the Governance and Constitution Committee, developed the FPRs, undertaken a brief Governance review and plugged some of the key gaps e.g. declarations of interest, gifts and hospitality.

(4) Advice, guidance and proactive stance

This aspect was designed to give time to be a point of contact and expertise on issues relating to systems, procedures and anti fraud and corruption advice. This has included advice on Financial Procedure Rules on both their development and to individual managers in services, advice on Schemes of Delegation, Members allowances, Freedom of Information, HR procedures, waste management contractual, financial and HR issues, Contact Point implementation, Alderley Edge bypass, advice on grants policy.

3.0 Internal Audit Plan 2009/10 (including interim plan)

3.1 Broad Principles

The plan has been developed using –

- Supporting Corporate Governance (5%)
- Core Financial and Fundamental Systems (20%)
- Key Service and Departmental Systems (35%)
- Counter Fraud and Probity (15%)
- Value for Money/Strategic Reviews (5%)

The remaining audit time (20%) is allocated to follow up and responsive work.

In the first year of Cheshire East and given the need to spend time putting in place an effective framework for audit and governance, it is intended that the plan is flexible and allows for realignment based on actual risks arising, Director and Head of Service input in the remainder of the year and also that priority is given to completing essential work to assist External audit assurance and external reporting.

3.2 Consultation

Most Heads of Service/Directorates have now discussed key risks and issues arising formally with audit and issues highlighted have been used to inform the plan. A number of detailed discussions are still required and refinements will then be made to the audits actually performed. Estimations of time have been made in the plan as attached at Appendix B.

3.3 Emerging Themes

The consultation discussions have resulted in some emerging themes around the risks and concerns that Senior Managers have raised and these are summarised as follows:

- –
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3.4 Content of Plan

A detailed plan is attached at Appendix B. This shows the breakdown over the five key themes and then the detailed audit assignments planned.

- (1) Corporate Governance (5%) – this includes work on the local code, the annual governance statement and Use of Resources work
- (2) Core Systems (20%) – this includes all the transition work and the “Section 151” audits required by the Audit Commission as well as the results of the team’s risk assessment of fundamental systems. The systems being subject to audit are: Main accounting, assets, investments, council tax, national non domestic rates, debtors, payroll, creditors and ICT for revenues and benefits.
- (3) Key Departmental Systems (35%) – this is the breakdown to date of the work on individual services. In People it includes LSC funding, extended services, payments to foster carers, grant funding, adult social care redesign, pooled budgets, Leisure venues and review. For Places it includes carbon footprint, depot rationalisation, integrated transport, waste, car parking, planning and other income services. There is also time allocated across a number of services within the Performance and Capacity area.
- (4) Counter Fraud Work (15%) – this includes proactive work on anti fraud measures, National Fraud Initiative Work as well as time spent on actual fraud investigations
- (5) Value for Money/Strategic Review (5%) - this section reflects the work which is not a compulsory part of the assurance requirements but which adds value by performing reviews of key aspects of the authority. This includes the early review of charging in Cheshire East and based on a suggestion from places a review of fuel usage. Other areas are under discussion.

4.0 Anti Fraud and Corruption Update

4.1 Strategy and Proactive Work

The strategy was approved by cabinet in June 2009 following consultation with the Governance and Constitution Committee. The overall philosophy is that it is management’s (and internal audit’s) responsibility to minimise the risk of fraud and to protect staff from systems which could lead to fraud or irregularity by implementing effective controls. Once this responsibility is acknowledged and implemented, then the authority will take a strong stance on instances of fraud and irregularity and will investigate any suspicions and pass cases to the police where relevant. Key to the strategy is that we learn from every case and continue to make system improvements to protect staff.

The strategy was discussed at Senior Management Team and a summary document circulated in July 2009 and the policy is in a prominent place on the intranet. The contents should now be included in staff induction and further awareness raising will form part of an “ethical standards” aspect of the Corporate Training programme.

The whistle blowing protocol was approved in October 2008 and will be reviewed by January 2009 by the Governance group. One aspect that needs to be developed is the link between this protocol, the safeguarding agenda and the “no secrets” policy within “People” services. There is now a summary of the protocol on the intranet and internet and this route has been used for a number of whistleblowing reports.

4.2 Instances of Potential Fraud and Irregularities.

There were a number of potential fraud/irregularity cases inherited from the predecessor authorities as at April 1st. Only one case remains live. This is currently under investigation in conjunction with HR and a staff member is under suspension. Two cases have been referred to the police. The CPS has recommended that we take no further action on one case and the other is currently being taken forward. The perpetrator of the potential fraud in this case is a member of the public.

There have been eight new cases of potential fraud/irregularity since April 1st and five whistle blowing submissions. All cases are now closed. Of the potential irregularities three related to Leisure, two to Social care and three to staffing/member issues of a conduct nature. Of the whistleblowing allegations received two are actually customer complaints rather than whistleblowing, one is an ex-District allegation which is closed and the other two are in progress with the relevant departments (waste management and schools).

There are some learning points arising which have been picked up in the departments and the recommendation of a programme of “ethics “ training for staff and members emanates from some of the findings.

4.3 National Fraud Initiative

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. This includes police authorities, local probation boards and fire and rescue authorities as well as local councils.

Results of the latest (2008) data match were received by predecessor authorities in March 2009. The potential issues raised are vast and Cheshire East has lead on this work on behalf of Cheshire West and Chester. Across all the headings for this exercise the number of queries runs to several thousand. Many of these will not be irregularities or fraudulent issues but each needs to be investigated. The areas with the highest volume of queries are insurance and trade creditors as well as housing benefits for the ex Districts.

Some of this work is still in progress and there are a number of system issues that have been raised by the results of the NFI data matching processes.

Examples are improvements in HR processes to ensure work permits are checked at recruitment highlighted by a data match between valid visas and employment records; improvements in the process to approve renovation grants following duplicate claims, recommendations on sickness absence monitoring in ex County Business Services highlighted in investigating the work permit issue.

5.0 Other Policies and Procedures

5.1 Anti-Money Laundering

This policy is being submitted for approval by cabinet on 6th October following extensive consultation with internal officers and the Governance and Constitution Committee.

It was reported in the last update that there was a case reported to the Money Laundering Reporting Officer (i.e. Head of Internal Audit) during April and this was thoroughly investigated with a conclusion that it was not a reportable case of potential money laundering that should be reported to the Seriously Organised Crime Agency (SOCE). No further cases have been reported.

5.2 Financial Procedure Rules (FPRs) and Schemes of Delegation

These continue to be kept under review and a reiteration of the Borough Solicitor's delegated authority and two more substantive amendments were approved at the July Council meeting. Eight amendments have now been approved and a revised version issued. A log of new amendments is regularly updated and there are currently six further amendments required which will be submitted to the Borough Solicitor for approval in October 2009. Most amendments relate either to clarification of responsibilities or improvements that would smooth out some requirements that were too cumbersome e.g. the need to get Council approval where external funding monies are generated and the possible impact on the success of being awarded the grant.

6.0 Relationships and Reporting Lines

6.1 Audit Commission. Regular meetings are held between the Internal Audit team and the Audit Commission Audit Manager (Andrea Castlings). The approach to planning has been presented during these meetings as well as the audit methodology and thinking. An agreement has been reached on the audit of Core systems in order to support the external audit work on the external accounts. This requires an agreement with Cheshire West which is still being discussed.

6.2 Members. Regular meetings take place with the portfolio holder for internal audit to discuss approach to risk and any key audit issues arising. Regular

meetings are also held with the Chair of the Governance and Constitution Committee and the Labour party group leader.

7.0 Future Issues and Ways of Working

7.1 The Internal Audit function is expected to operate under the CIPFA Code of Practice Internal Audit in Local Government. This is split into the following sections:

- Scope
- Independence
- Ethics
- Audit Committee
- Relationships
- Staffing, Training and CPD
- Audit Strategy and Planning
- Undertaking Audit Work
- Due Professional Care
- Reporting
- Performance, Quality and Effectiveness

7.2 In December 2009, the Audit Commission will carry out their Triennial Assessment of Internal Audit which is a thorough review of all our processes and outcomes. A self assessment will be completed in November and a report issued to CMT and cabinet in early 2010.

7.3 The culture that the team wants to develop is one which focuses on the difference that internal audit can make, an approachable and positive style and one where audit advice is given at the outset rather than retrospectively. There will always be an element of retrospective work, testing and commenting on systems and this has to remain an essential part of the governance regime. Auditors are in a privileged position in that they can step back from service delivery and look at consistency issues across the authority and assist management to improve controls, systems and ways of working being appreciative of the need to work with managers to balance excellent service delivery with appropriate controls and checks and balances. It is this philosophy which we would like to characterise the way of working.

7.3 Regular summary reports will be provided to Corporate Management Team and where reports have a Corporate implication the individual assignment reports will be sent to CMT members. Audit findings will only be escalated outside of this protocol when the department does not appear to be taking appropriate action or is delaying responding to audit recommendations. The Head of Audit has direct access (and regular meetings with) the Chief Executive to ensure that relevant issues can be raised directly.

8.0 Recommendations

- 8.1 It is recommended that the Governance and Constitution Committee discuss and comment upon the approach and content of the in-year plan, delivery against the plan to date and the key findings.

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Code	Description/ Audit title	Total Days		Brief Scope/Description
	Maximum Days	3432	100%	
E99.0002	Annual Leave	397		
E99.0003	Bank Holidays	98		
E99.0004	Sickness	68		
E99.0005	Medical Absence			
E99.0006	Other Leave			
	Total Unavailable Working Days	563		
	Available Working Days	2869	84%	of Maximum Days
	Training			
E99.0013	Professional Training	59		CIPFA - 37/AAT - 22
E99.0014	Other Training	75		
	Training - Total	134		
	Management & Administration			
E99.0007	A&RM SMT	46		
E99.0008	Team Management	119		
E99.0015	Administration	158		
	Management & Administration - Total	323		
	Service Development			
E99.0009	Recruitment			
E99.0010	Performance Management			
E99.0011	Galileo			
E99.0012	Development			
E00.0022	Audit Planning			
	Service Development	100		Not yet allocated.
	Non Chargeable Sub Total	557		
	Chargeable Days	2312	81%	of Available Working Days
	Corporate Work			
NEW	Corporate Management	30		
E00.0003	External Audit Liaison	30		
E00.0016	Governance & Constitution Committee	40		

Code	Description/ Audit title	Total Days		Brief Scope/Description
	Corporate Work - Total	100		
	Available Audit Days	2212	77%	of Available Working Days
	Supporting Corporate Governance			
NEW	Code of Corporate Governance	30		Establish arrangements for production
NEW	Annual Governance Statement	30		Establish arrangements for production
NEW	CAA Use of Resources	40		Co-ordination? Internal Control element
	Corporate Governance - Total	100	5%	of Available Audit Days
	Core Financial and Fundamental Systems			
NEW	Main Accounting	15		Document/flowchart system/walkthrough tests
NEW	Assets	20		Disaggregation/opening balances etc.
NEW	Loans/Investments	15		Document/flowchart system/walkthrough tests
NEW	Council Tax	30		Document/flowchart system/walkthrough tests
NEW	Business Rates	30		Document/flowchart system/walkthrough tests
NEW	Housing Benefits	30		Document/flowchart system/walkthrough tests
NEW	Debt Management	20		Establish arrangements
NEW	Payroll	20		Document/flowchart system/walkthrough tests
NEW	Procure to Pay	20		Document/flowchart system/walkthrough tests
E11.0007	Revenues & Benefits	30		Review implementation of new system - per ICT plan
		230		
	Joint Projects/Work with CWaC			
W11.0019	Procure to Pay - Problem Transactions	15		Days are East element only.
	Transitional Arrangements	200		
E11.0001	Income			
E11.0002	Assets and Inventories			
E14.0001	Human Resources			
E15.0001	ICT Transitional			
E19.0001	Partnering Arrangements			
E21.0001	Procurement			
E05.0002	Car Parking (Income)			

Code	Description/ Audit title	Total Days		Brief Scope/Description
	Core Financial and Fundamental Systems Total	445	20%	of Available Audit Days
	Key Service & Departmental Systems			
	People Directorate			
	Children & Families			
NEW	LSC Funding 14-19	10		Advice on control environment on major area of
NEW	Extended Services	15		Sample of schools - governance/compliance
NEW	Payments to foster parents/adopters	10		Systems Audit
NEW	Section 17 Funding	5		Research alternative funding sources
NEW	Aiming High for Disabled Children	5		Review of Commissioning
NEW	Grant Funding	15		Off Balance Sheet funding/Quality Assurance
E02.0001	ContactPoint	12		New system - national requirements
E09.0001	Gorsey Bank Primary School	12		
	Adults			
NEW	Social Care Redesign	40		Awaiting detail from Service
NEW	Pooled Budget	10		Accounting/how managed/budget pooled between
E01.0001	ShareCare	15		As per ICT Plan
E03.0001	East Domestic Abuse Unit imprest account	5		
	Health & Wellbeing			Meeting with Well Being SMT
E18.0001	Target Income - Nantwich Civic Hall Bar			Contingency
E18.0002	Target Income - Victoria Community Centre Bar			Contingency
E18.0003	Target Income - Nantwich Civic Hall Catering			Contingency
E18.0004	Target Income - Crewe Pool Resale			Contingency
E18.0005	Target Income - Victoria Community Centre Catering			Contingency
E18.0006	Target Income - Lyceum Theatre Refreshments			Contingency
E18.0007	Macclesfield Leisure Centre	10		Assurance around cash income
E18.0008	Crewe Pool	10		
E18.0009	Congleton Leisure Centre	10		
	Malkins Bank			Contingency

Code	Description/ Audit title	Total Days		Brief Scope/Description
	Transformation			
NEW	PARIS	7		Per ICT Audit Plan
NEW	Resource Allocation System	10		Internal challenge on costing etc.
	People Total	201		
	Places Directorate			
NEW	Carbon Footprint	20		
NEW	Places Risk Register	5		
	Environmental Services			
NEW	Depot Rationalisation	20		
	Safer & Stronger Communities			
	Planning & Policy			
	Regeneration			
NEW	Integrated Transport Unit	15		
E24.0001	Crewe Green Link Road Scheme	18		Audit support for S151 sign off - DFT requirement.
	Other Key Areas in Places	120		Will include planning, car parking, waste, income
	Places Total	178		
	Performance & Capacity			
	HR & Organisational Development			Meeting planned with DMT.
	Policy & Performance			
E19.0008	National Indicators	20		
NEW	Blue Badges	5		Fraud area/forms/capturing internal data
	Borough Treasurer & Head of Assets			
	Finance			
E11.0003	Scheme of Financial Delegation	20		
E11.0004	Finance & Contract Procedure Rules	20		
NEW	Shared Services - Back Office	15		
NEW	Cash Receipting	10		
NEW	Grant Payments	10		
NEW	VAT Accounting	10		
NEW	Data Migration	15		

Code	Description/ Audit title	Total Days		Brief Scope/Description
NEW	Opening Balance Sheet	15		
	ICT			
E15.0002	ICT BCP - Flu Pandemic	11		Per ICT Plan
E15.0003	ICT Security - Liaison & Advice	6		Per ICT Plan
NEW	ICT Shared Services	20		Per ICT Plan
E11.0006	CAATS Evaluation	6		Per ICT Plan
NEW	Government Connect	10		Per ICT Plan
NEW	ICT Security Policy & Acceptable Use Guidelines	5		Per ICT Plan
NEW	ICT Strategy	5		Per ICT Plan
NEW	Information Management - new strategy	12		Per ICT Plan
NEW	ICT Business Continuity Planning			Per ICT Plan - Medium
NEW	ICT Partnerships			Per ICT Plan - Medium
NEW	Flexible and Mobile Working			Per ICT Plan - Medium
NEW	Risk Assessment for ICT Plan			Per ICT Plan - Medium
NEW	Security of data taken off-site			Per ICT Plan - Medium
NEW	Interfaces to Oracle			Per ICT Plan - Medium
	Procurement			
NEW	Tendering & Contracting System	10		Advice on control issues with new system
NEW	Procurement Compliance	20		Compliance with F&CPRs
	Assets			Still need to meet with HoS
	Borough Solicitor			
	Legal Services			
NEW	Council Deeds/important documents	5		
NEW	Online Payment of fees to HMLR/HMCS	5		
	Democratic Services			
E07.0001	Members Allowances	10		
E07.0001	European Elections	1		
E07.0001	Registration Services	15		
	Performance & Capacity Total	281		
	Cross Directorate			

Code	Description/ Audit title	Total Days		Brief Scope/Description
NEW	Shared Services - Overall Governance	20		
NEW	Service Delivery Planning/Risk Management	20		
NEW	Income Maximisation/Efficiency	30		
NEW	Project Management	15		
E23.0001	Support to Business Continuity & Risk Management	30		
	Cross Directorate Total	115		
	Balance			
	Key Service & Departmental Systems Total	775	35%	
	Counter Fraud			
NEW	Anti Fraud & Corruption Policy	10		Raising awareness
NEW	Codes of Conduct - Members/Officers	10		How disseminated? Signed?
NEW	Whistle Blowing	10		Raising awareness
NEW	Declarations of Interest	10		Bringing cultures together/consistent
E07.0004	Gifts & Hospitality	5		Awareness etc.
NEW	Anti Money Laundering	5		
NEW	Use/Development of IDEA	25		Per ICT Plan
E00.0001	NFI	100		
	Old Codes			
E00.0004	Anti Fraud and Corruption Strategy - rewrite and promotion			
E00.0005	Investigations Procedure - rewrite and promotion			
E00.0006	Local Authority Liaison			
E00.0007	Whistleblowing Protocols and Mechanisms			
E00.0008	General Investigations and Advice - Places			
E00.0009	Individual Strategy and Review of Investigations - Places			
E00.0010	General Investigations and Advice - People			
E00.0011	Individual Strategy and Review of Investigations - People			
E00.0014	Declarations of Interest			
E00.0015	Residual Investigations			
E00.0017	General Investigations and Advice - P & C			
E00.0018	Individual Strategy and Review of Investigations - P & C			

Code	Description/ Audit title	Total Days		Brief Scope/Description
	Responsive Work	165		
E00.0012	Crewe Leisure Centre Investigation			
E00.0013	Ex-CCC Trading Standards Investigaton			
E00.0025	Nicholas House - ICT Investigation			
E00.0026	Crewe Pool - Investigation			
	Counter Fraud Total	340	15%	
	Value For Money Reviews			
E11.0005	Charging in Cheshire East	30		
	Other - To be allocated (including fuel usage)	70		
	Value For Money Reviews - Total	100	5%	
	Responsive Work			
	Consultancy & Advice			
E19.0002	Directorate Liaison - People	60		
E19.0003	Directorate Liaison - Places	50		
E19.0004	Directorate Liaison - HR & Organisational Development	20		
E19.0005	Directorate Liaison - Policy & Performance	40		
E19.0006	Directorate Liaison - Borough Treasurer & Head of Assets	60		
E19.0007	Directorate Liaison - Borough Solicitor	20		
		250		
	Contingency	130		
	Responsive Work Total	380	17%	of Available Audit Days
	Follow Up			
E00.0002	LGR Risk Bulletins - Completion			
E00.0019	Residual Crewe & Nantwich audit work			
E00.0020	Residual Macclesfield audit work			
E00.0021	Macclesfield Borough Council - Renovation Grants			
E00.0023	Residual Congleton Borough Council audit work			
E00.0024	Completion of CCC Community Services work			

Code	Description/ Audit title	Total Days		Brief Scope/Description
E05.0001	Mitie Engineering (Completion of CCC audit)			
	Residual issues from predecessor authorities	36		
	Follow up of key issues identified during year	36		
	Follow up Total	72	3%	of Available Audit Days
	TOTAL AUDIT DAYS	2212		

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of meeting: 30 September 2009
Report of: Monitoring Officer
Title: Delegation of Licensing Functions (Expedited Reviews)

1.0 Purpose of Report

- 1.1 To advise the Committee of a delegation of functions in relation to expedited reviews under the Licensing Act 2003 from the full Licensing Committee to the Licensing Sub-Committee and to seek approval for the resulting changes to the Constitution.

2.0 Recommendations

- 2.1 That the Committee
- (1) note the delegation of functions in relation to expedited reviews under sections 53A, 53B and 53C from the full Licensing Committee to the Licensing Sub-Committee; and
 - (2) recommend to Council the consequential changes to the Constitution as a result of the Licensing Committee's decision as set out within the report.

3.0 Financial Implications for Transition Costs

- 3.1 None

4.0 Financial Implications 2009/10 and beyond

- 4.1 None

5.0 Legal Implications

- 5.1 Sections 53A, 53B and 53C of the Licensing Act 2003 make provision for the exercise by the Licensing Authority of functions in relation to 'expedited' or 'summary' review applications.
- 5.2 Section 10 of the Licensing Act 2003 provides that a licensing committee may arrange for the discharge of any functions exercisable by it by a sub-committee established by it. Section 10 also provides that the functions within sections 53A, 53B and 53C may not be discharged by an officer of the authority.

6.0 Risk Assessment

- 6.1 There is a risk of legal challenge to decisions taken by the licensing authority if a body taking such decisions does not have the correct delegation to do so. The decision requested seeks to ensure that the Constitution accurately reflects the delegation made by the Licensing Committee.

7.0 Background and Options

- 7.1 At its meeting on 22nd May 2009, the Licensing Committee resolved to delegate certain functions in relation to 'expedited' review applications (i.e. applications for the urgent review of a premises licence or club premises certificate) to the Licensing Sub-Committee established under the Licensing Act 2003. The relevant Licensing Committee minute is attached as Appendix 1.
- 7.2 A number of changes to the Constitution are required to reflect the Licensing Committee's decision, details of which are set out within Appendix 2.

8.0 Overview of Day One, Year One and Term One Issues

- 8.1 It is advantageous to make these changes as soon as possible to ensure that the Constitution accurately reflects the delegations made by the Licensing Committee.

9.0 Conclusions and Recommendation

- 9.1 The Committee is asked to approve the consequential changes to the Constitution as set out within Appendix 2 to the report.

For further information:

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Background Documents:

None

APPENDIX 1

Minutes of the Licensing Committee Meeting - 22nd May 2009

Minute No. 54

Delegation of Functions (Expedited Reviews)

To consider the delegation of functions relating to expedited reviews under the Licensing Act 2003 from the Licensing Committee to the Licensing Sub-Committee.

Minutes:

In accordance with the Licensing Act 2003, certain functions falling under the remit of the Licensing Committee could be delegated to a Licensing Sub Committee; the power of referral to the parent committee being retained by the Chairman and Vice Chairman. On the 19 December 2008, the Committee had resolved to delegate the majority of its functions under the 2003 Act to a Sub-Committee of three Members; however two functions were omitted namely –

- a) Determination of interim steps pending summary review [Sections 53A(2) (a) or 53B]; and
- b) Any function under Section 53C [review following review notice] in a case where relevant representations [within the meaning of Section 53C(7)] have been made.

To ensure reviews could be dealt with expeditiously, the Committee was invited to delegate the above powers to the Sub Committee.

RESOLVED: That the following functions be delegated to the Licensing Sub Committee established under the Licensing Act 2003, subject to the proviso that the Chairman or Vice Chairman of the full Committee has the discretion to refer matters to the full Licensing Committee if the item is particular significant or controversial in nature -

- a) Determination of interim steps pending summary review [Sections 53A(2) (a) or 53B]; and
- b) Any function under Section 53C [review following review notice] in a case where relevant representations [within the meaning of Section 53C(7)] have been made.

APPENDIX 2

Consequential Changes to the Constitution

1. To insert the following into the table with the Licensing Committee's terms of reference at page 91 of the Constitution:

Function	Full Committee	Sub-Committee
Determination of interim steps pending summary review (sections 53A(2) (a) or 53B of the 2003 Act)		To determine interim steps
Functions under Section 53C (review following review notice) in a case where relevant representations have been made		To determine the review application

2. To insert the following into the Schedule of functions of the Licensing Committee at page 98 of the Constitution (and to renumber the succeeding paragraphs accordingly):

(xvi) *Sections 53A(2) (a) and 53B of the 2003 Act (determination of interim steps pending summary review);*

(xvii) *Section 53C (review following review notice)*

3. To insert the following into paragraph 25.4 at page 136, the exceptions to the delegation of functions to the Head of Safer and Stronger Communities (and to renumber the succeeding paragraphs accordingly):

25.4.5 The determination of interim steps pending summary review (under sections 53A(2) and 53B of the Licensing Act 2003) and determination of reviews (under section 53C of the Licensing Act 2003) shall be referred to the Licensing Sub-Committee.

4. To insert the following into the exceptions to the delegation to the Head of Safer and Stronger Communities at page 155 under Licensing Functions (Licensing Act 2003 and Gambling Act 2005):

(x) *The determination of interim steps pending summary review (under sections 53A(2) and 53B of the Licensing Act 2003) and determination of reviews (under section 53C of the Licensing Act 2003) shall be referred to the Licensing Sub-Committee.**

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject/Title: Funding Parish Elections

1.0 Report Summary

- 1.1 Under section 36(5) Representation of the People Act 1983, the Council has discretion whether and to what extent it bears the cost of parish election processes. If recharged, the parishes would fund any recharge through their precept.
- 1.2 The practice of the three previous authorities was to recharge the cost of by-elections but to bear the cost of all-out combined elections themselves.
- 1.3 The Council now needs to determine its future policy.

2.0 Recommendations

- 2.1 That
 - (1) the policy of recharging Parish Councils for parish by-elections be confirmed; and
 - (2) the Committee consider, in the light of further information on the financial implications, whether to recharge Parish Councils for all-out combined elections.

3.0 Reasons for Recommendations

- 3.1 It is suggested that the Council continues the practice adopted by the predecessor Councils in respect of charging Parish Councils for by-elections.
- 3.2 With the recent re-organisation of local Government in Cheshire, elections will no longer be conducted by thirds (i.e. whereby a third of the parish elections are held in each of the three consecutive years for which the corresponding Borough elections take place). The new electoral arrangements adopted mean that from now on all-out local elections will occur once every four years and all of the Parish elections for the Cheshire East area will be held in this same year. Due to this major change to the election cycle, the Committee may wish to take the opportunity to review arrangements for funding parish elections.

4.0 Wards Affected

4.1 All.

5.0 Local Ward Members

5.1 All.

6.0 Policy Implications

6.1 The decisions made by the Council on this issue will form the election fees policy for Cheshire East local elections.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

7.1 None.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

8.1 The annual costs of parish by-elections could be around £40,000 per year, assuming 8 by-elections at an average cost (assuming the larger authorities are usually involved) of £5,000. Last year, Macclesfield had 5 by-elections, Crewe and Nantwich had one and Congleton none (although they had 5 during 2007/08).

8.2 In future, the Council and all Parish Councils will have all-out elections on the same day. There could be different approaches to apportioning the costs attributable to Parish Councils. For the shadow elections, Congleton undertook a notional apportionment (though did not actually recharge) based on splitting accommodation costs, the marginal costs of extra postal vote staff, the full costs of the extra count, and so on. The total recharge for all parishes would have been of the order of £40,000. Extrapolating this to the other areas, the broad order of magnitude would be of the order of:

- Macclesfield: £100,000
- Crewe and Nantwich: £60,000
- Congleton: £40,000

Total potential recharge: £200,000 (in very broad terms)

The available budget for elections is £498,000 for Cheshire East and the implications of this proposal and how best to use this budget are still being assessed.

9.0 Legal Implications (Authorised by the Borough Solicitor)

9.1 Section 36(5) of the Representation of the People Act 1983 provides that in relation to expenditure incurred by a Returning Officer in relation to a Parish

Council election, the Borough Council can require this expenditure to be repaid to the Borough Council provided it does not exceed any scale which may have been fixed by the Borough Council for the purpose. If there is a scale in place, the expenditure incurred by the Returning Officer, to the extent that it exceeds the scale, must be borne by the Borough Council. It is not, however, obligatory to fix such a scale, even if it is decided that recharging is to be implemented. Therefore, the Borough Council has power to determine the extent to which Parish Councils can be required to pay for their elections.

10.0 Risk Management

- 10.1 The risks associated with this decision are insufficient election budget being made available in the event that a decision is made not to recharge parish Councils for all-out Elections; and any adverse reaction that a decision to recharge Parish Councils could have upon working relations with local Councils.

11.0 Background and Options

- 11.1 The factors for recharging for by-elections are:-

- That it continues existing practice, which Parish Councils will expect.
- It avoids unparished (Crewe, Macclesfield and Wilmslow and some small rural areas) and parish meeting areas indirectly subsidising the by-elections of others.
- No specific budget for parish by-elections.
- That it tends to keep costs down by discouraging contested elections, candidates often preferring to avoid the costs falling on the parish.

- 11.2 The factors against recharging for by-elections are:-

- That not recharging tends to encourage greater participation in democracy by removing the disincentive of contested election costs falling on the parish.

- 11.3 The factors for recharging for all-out combined elections are:-

- A substantial benefit to the elections budget (perhaps up to £200,000, depending on the method of apportionment).
- That it avoids unparished and parish meeting areas indirectly subsidising parish elections in other areas.
- That the availability of budget is unknown.
- That it could possibly keep costs down by discouraging contested elections.

- 11.4 The factors against recharging for all-out combined elections are:-

- That criticism might be expected from Parish Councils for such a change of practice.
- That significant notice would be required so that Parish Councils could set appropriate budgets and precepts.
- It could encourage greater participation in democracy.

12.0 Overview of Year One and Term One Issues

12.1 As outlined in the report.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting:	30 September 2009
Report of:	Democratic Services Manager
Subject/Title:	Review of Appointments to Outside Organisations

1.0 Report Summary

- 1.1 The report outlines the issues considered by the Task Group (Outside Organisations) which was re-appointed by the Governance and Constitution Committee on 21st May 2009. The Committee is asked to note the work of the Task Group to date, and to approve the recommendations as set out in paragraph 2 of the report.

2.0 Recommendations

2.1 That

- (a) One Councillor, as identified below, be appointed to each of the following Cheshire Association of Local Councils' groups –
 - (i) The Quality Accreditation Panel (Councillor A Moran)
 - (ii) The Quality Forum (Councillor S Jones)
 - (iii) The County Training Partnership (Councillor D Flude)

(on the basis set out in paragraph 11.4)
- (b) Councillor C Tomlinson be appointed to the Fence Trust (Macclesfield);

(on the basis set out in paragraph 11.5)
- (c) Cheshire East Council join Groundwork Trust as a full Company Member;
- (d) Councillor P Whiteley be appointed to the Wilmslow Aid Trust;
- (e) Evans Arts Trust be reinstated as an outside organisation (Category 3) to which appointments should be made, with two Councillors being appointed;
- (f) Councillors J Crockatt and P Whiteley be appointed to the Evans Arts Trust;

- (g) The Citizens Advice Bureaux (CAB) in Cheshire East be informed that this Council would be appointing two Councillors to each of its two branches;
- (h) Councillors R A Bailey and M A Martin be appointed to Cheshire East CAB and Councillors J Goddard and A Arnold be appointed to Cheshire CAB North;
- (i) The Cabinet be recommended to include “Dial-a-Ride”, currently a Category 2 organisation, within its remit as a Category 1 organisation, in view of its strategic importance within the Local Transport Plan;
- (j) The Cabinet be recommended to appoint 1 Cabinet Member and 1 Local Member to each of the two branches of “Dial-a-Ride”, subject to the constitutional requirements of the organisation;
- (k) The Committee endorse the Task Group’s recommendation that the new request from Bollington Cross Youth Project be declined and the request from Senior Voice be addressed by the Task Group, in due course, when further information is available; and
- (l) It be noted that Cheshire and Warrington Local Access Forum, a statutory organisation, has been added to the schedule of outside organisations as a Category 1 organisation, which falls within the remit of the Cabinet.

3.0 Reasons for Recommendations

- 3.1 It is important for the Council to participate as a partner in the network of outside organisations within Cheshire East, and more widely if appropriate.
- 3.2 The recommendations are in accordance with the procedure adopted by the Governance and Constitution Committee.

4.0 Wards Affected

- 4.1

Fence Trust	Macclesfield Town and Macclesfield Forest
Evans Arts Trust	Macclesfield Town and Macclesfield Forest
Wilmslow Aid Trust	Wilmslow South, Wilmslow North
Cheshire Association of Local Councils	All wards
Cheshire CAB North	All wards comprising the former Macclesfield area
Cheshire East CAB	All wards comprising the former Crewe and Nantwich and Congleton areas
Dial-a-Ride	All wards
CVS	All wards
Groundwork Trust	All wards comprising the former areas of Macclesfield and Congleton

5.0 Local Ward Members

- 5.1 Ward Members as appropriate to each organisation listed in paragraph 4.1.

6.0 Policy Implications

- 6.1 None identified.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

- 7.1 None identified.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

- 8.1 None identified other than where referred to against specific organisations.

9.0 Legal Implications (Authorised by the Borough Solicitor)

- 9.1 The appointment of representatives to outside organisations can have implications for appointees, especially those appointed as Trustees or Company Directors. It is essential that Members are made aware of their roles, responsibilities and liabilities. The Task Group will be giving consideration to a proposed Guide for Members who represent the Council on outside organisations; for example as a Company Director, a Trustee, representative on a Management Committee or School Governing Body.

- 9.2 The **Groundwork Trust, (see 11.6 below)** is both a registered company and a registered charity. Groundwork, as a national organisation, is a federation of more than 40 independent not-for-profit Trusts in England, Wales and Northern Ireland, the first Groundwork Trust having been established in Merseyside in 1981. Other trusts followed, including the Cheshire Groundwork Trust, and two of its original subscribers when it was first set up were Macclesfield Borough Council and Cheshire County Council, as well as the Countryside Commission. The former Boroughs of Macclesfield and Congleton, and the County Council, continued to contribute core funding to Groundwork Cheshire. All were members of the Trust with the accompanying rights to vote at company meetings.

- 9.3 Membership of this company for Cheshire East Borough Council as a local authority is distinct from representation by individual members co-opted onto an organisation. "Groundwork Cheshire" is the trading name of Cheshire Groundwork Trust, and it is set up as Company Limited by Guarantee and not having a share capital, which is the normal type of incorporation applicable to non-profit organisations which require corporate status to limit their liability. Groundwork Cheshire is also a Registered Charity. An implication if the company was to be wound up

would be that each Member (including the Council in that capacity) would be required to pay £10 to the assets of the company, and a contribution towards the costs charges and expenses of winding-up if that occurred during the Council's membership or within a year of ceasing to be a member. This is the normal arrangement where members, who in this type of company are guarantors instead of shareholders, give an undertaking to contribute a nominal amount towards the winding-up of the company in the event that there is ever a shortfall upon cessation of its business. Companies of this kind cannot distribute profits to their members, which is why they are eligible for charitable status. Membership can be brought to an end by several events, the only two of which would be relevant to a Council as a member would be giving notice in writing to the Company Secretary, or expulsion by special resolution, the latter of which would only be likely in very extreme circumstances.

10.0 Risk Management

- 10.1 None identified other than the legal implications as set out in paragraph 9.1.

11.0 Background and Options

- 11.1 At its meeting held on 21st May 2009, the Governance and Constitution Committee re-appointed the Task Group (Outside Organisations) as a standing Task Group which will remain in existence for the duration of the Municipal Year.
- 11.2 Subsequent to notification of appointments, a number of issues have arisen. These have been addressed by the Task Group, which held its first meeting on 30th June. Its recommendations are as set out in paragraph 2; the rationale behind the recommendations is given below.
- 11.3 Members are reminded that as part of the procedure adopted by the Committee on 9th March 2009, the schedule of organisations was divided into the following categories. Category 1 is the schedule of organisations which the Cabinet has reserved to itself for making appointments. The Governance and Constitution Committee makes appointments to Categories 2, 3 and 4 organisations, taking into account recommendations of the Task Group.

Category 1	These are top-level strategic organisations at national, regional and local level; for example, Fire Authority, Primary Care Trust, Police Authority.
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Category 2	These are appointments which were key to the demising authorities (Cheshire County Council, Congleton, Crewe and Nantwich, and Macclesfield Borough Councils) and were considered to be essential after 31 st March 2009.
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Category 3	These are organisations which the demising authorities considered to be worthwhile but were not crucial.
Category 4	Those not falling within categories 1-3

11.4 Cheshire Association of Local Councils (ChALC)

Councillor Carolyn Andrew was appointed to the Cheshire Association of Local Councils, and will take her place on the Executive. In addition to that representation, ChALC has requested that the Council appoint to three of its panels, namely The Quality Accreditation Panel; The Quality Forum; and The County Training Partnership.

The Task Group recommended the following political split for the appointments –

- (a) That one **Conservative** be appointed to The Quality Accreditation Panel;
- (b) That one **Liberal Democrat** be appointed to The Quality Forum; and
- (c) That either a **Labour or Independent** Member be appointed to The County Training Partnership.

Group Whips were invited to nominate. The Conservative Group did not nominate to the Quality Accreditation Panel; however, the Independents have nominated Councillor A Moran, and in the absence of a further nomination at the meeting, the Task Group recommends his appointment.

11.5 Fence Trust

The Fence Trust is an almshouse trust responsible for housing at Hurdsfield, Macclesfield. The Task Group recommends that a local Ward Member be appointed, and that it should be a **Liberal Democrat**.

11.6 Groundwork Trust

The former boroughs of Macclesfield and Congleton, together with Cheshire County Council, provided core funding for this organisation. The Executive Director of the Trust has submitted a formal request to Cheshire East Council for the establishment of a Service Level Agreement and has also requested that the Council joins Groundwork Trust as a Company Member. At present, the representatives (Councillors Knowles and Brown) have limited voting rights as co-opted trustees. There are some issues on which they are permitted to vote, and some where they are not. Full membership will give the Council more extensive voting rights.

The legal implications are detailed in 9.2 and 9.3 above.

11.7 Wilmslow Aid Trust

The organisation has notified the Council that its constitution requires two elected Members to be appointed to the Trust. Councillor J Crockatt is the Member who was appointed in March 2009. Councillor Whiteley, as a local Ward Member, has volunteered to sit on the Trust also, and the Task Group recommends his appointment.

11.8 Evans Arts Trust

This organisation had been deleted from the schedules. Following discussion at the Task Group meeting and based on Members' local knowledge, it was agreed that the Trust be recommended for reinstatement with two representatives appointed. Councillor Crockatt has formerly served as a Macclesfield Borough Council Member and it was agreed that he be recommended for one of the places. The Task Group also recommends Councillor P Whiteley.

11.9 Citizens Advice Bureaux (CAB)

In March 2009, three Members were appointed to CAB (Councillors Rachel Bailey, J Goddard and Margaret Martin).

The CAB has now reorganised its branches within Cheshire to reflect the new governance arrangements and two branches have been created, namely (1) *Cheshire CAB North* and (2) *Cheshire East CAB*. Macclesfield has re-constituted itself as *Cheshire CAB North* and Crewe and Nantwich and Congleton have joined together to form *Cheshire East CAB*.

The Task Group recommends that as core funding is often provided to CABs, it is important that two representatives are appointed to each branch. The Group, therefore, recommends that Councillors Rachel Bailey and Margaret Martin be appointed to Cheshire East CAB and Councillors J Goddard and A Arnold be appointed to Cheshire CAB North.

11.10 Community Transport ("Dial-a-Ride")

This organisation is currently designated as a Category 2 (which falls within the remit of the Governance and Constitution Committee). Councillors Bebbington, Cannon and Thwaite were appointed by the Committee on 9th March 2009.

Subsequent to that, enquiries revealed that there are two branches operating within Cheshire East (Crewe and Nantwich/Congleton and Macclesfield). It is not clear whether there is an expectation that the three Members should all be attending each of the meetings or whether the representation should be divided between the two branches. Enquiries are being made to establish the requirements of the organisation which, it

is understood, is undergoing a re-organisation to reflect the new governance arrangements in Cheshire East. The outcome of these enquiries is not likely to be available in time for the meeting but will be reported to the Task Group in due course.

In the meantime, the Task Group is of the view that as the scheme informs the Local Transport Plan, it is of strategic importance in respect of the transport infrastructure and should, therefore, be re-designated as a Category 1 organisation, with the Cabinet recommended to appoint 1 Cabinet Member and 1 Local Member to each branch, subject to the constitutional requirements of the organisation.

11.11 Nominations

The Task Group invited Group Whips to nominate to the vacant places and the names submitted represent those nominations.

11.12 Other Matters Considered by the Task Group

11.12.1 One of the organisations which was deleted from the schedule of appointments was the Greater Manchester Transport Authority, Stockport, Manchester and Trafford Local Transport Groups. The organisation had informed the Council that it was reconsidering its consultation arrangements and no longer required representatives from the Authority. It would advise if representation was required in the future.

The Task Group is concerned about the cessation of consultation arrangements and enquiries are being made to establish the reasons for this change.

11.12.2 Cabinet Appointments

At its meeting held on 30th June, the Task Group was informed of issues in connection with organisations which fall within the remit of the Cabinet for appointment. These have already been the subject of separate reports to Cabinet; a summary is given below.

Dane Housing	Reduction in representation from 4 to 2 (Councillors D Brown and P Mason appointed)
North-West Employers Organisation	Reduction in representation from 3 to 1 (Councillor F Keegan appointed)
Cheshire and Warrington Local Access Forum	This was dealt with as a Cabinet Member Decision. The organisation was included as a Category 1 and Councillor Rachel Bailey was appointed.

11.12.3 County Councils Network (CCN)

This organisation had been deleted from the schedules on the basis that as there was no longer a County Council, there was no requirement to make appointments.

It is, however, considered that the CCN should be reinstated as an organisation to which Members should be appointed. Cheshire East Council is a unitary authority and as such, delivers services formerly provided by Cheshire County Council. In view of its strategic importance, this is a Category 1 organisation and falls within the remit of the Cabinet. A separate report is being submitted to the Cabinet meeting to be held on 6th October 2009.

11.12.4 Cheshire and Warrington Local Access Forum (LAF)

This organisation had not been included on the original list of outside organisations. It is a statutory organisation and should, therefore, be included as a Category 1. The appointment of a Member was dealt with as a Cabinet Member Decision (by Councillor Knowles) and Councillor Rachel Bailey was appointed on 10th July 2009.

11.12.5 Council for Voluntary Services (CVS)

The CVS is reconstituting itself to reflect the new governance arrangements in Cheshire. It is expected that in August/September a new Cheshire East CVS will be launched.

In March 2009, Councillors Furlong and Neilson were appointed to the CVS. It is likely that representation arrangements may change following the re-launch. The Task Group will review representation at that time and make any appropriate recommendations to the Committee.

11.12.6 New Requests

The Task Group considered two new requests for representation, as follows –

- Bollington Cross Youth Project

The Task Group considers that it would be more appropriate for representation to be drawn from either Bollington Parish Council or the Local Area Partnership.

- Senior Voice (part of the Older Persons Network)

Further enquiries are being made about this organisation and its role within the Older Persons Network. The Task Group will consider this at its next meeting.

11.12.7 Guide for Members/Monitoring of Representation

The Task Group gave initial consideration to a proposed Guide for Members who represent the Council on outside organisations. The issues are complex; Legal Services have been asked to review the document, and if practicable, a final draft will be submitted to the November meeting of the Committee.

In due course, the Task Group will also be formulating a means of monitoring the effectiveness of representation.

12.0 Overview of Year One and Term One Issues

12.1 None identified.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer.

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CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject/Title: Member Development Strategy 2009/2010 and Policy Statement 2009/2010

1.0 Report Summary

- 1.1 The purpose of the report is to invite the Governance and Constitution Committee to approve and adopt the Member Development Strategy and Policy Statement for Cheshire East Council.

2.0 Recommendations

- 2.1 That the Member Development Strategy 2009/2010 and associated Policy Statement 2009/2010 be approved and adopted with immediate effect.

3.0 Reasons for Recommendations

- 3.1 To meet the requirements of the North West Charter for Elected Member Development, Cheshire East Council is required to have in place a Member Development Strategy. Formal approval of the document will add weight to the Council's application for accreditation under the Charter.

4.0 Wards Affected

- 4.1 None

5.0 Local Ward Members

- 5.1 Not applicable

6.0 Policy Implications

- 6.1 The Policy Statement is an extract from the main Strategy created for ease of reference and does not, in itself, form a stand alone document.

7.0 Financial Implications for Transition Costs

- 7.1 There are no such implications arising from the proposals contained in the report.

8.0 Financial Implications 2009/10 and beyond

- 8.1 There are no such implications arising from the proposals contained in this report.

9.0 Legal Implications

- 9.1 None identified

10.0 Risk Management

- 10.1 Without formal adoption of the Member Development Strategy, the Council's application for accreditation under the North West Charter on Elected Member Development would be weakened.

11.0 Background and Options

- 11.1 From its inception in January 2009, the Member Development Panel has been working towards the creation of a framework for the delivery of Member Training and Development at Cheshire East Council. The elements which make up the framework have now been brought together to form the Member Development Strategy 2009/2010 (Appendix 1).
- 11.2 The Strategy has been produced to enable the Council to realise the full potential of its Members and is tailored to the Council's needs. Its key aims and objectives are to:
- Establish a culture whereby continuous elected Member Development is seen as a key component to the success of the organisation
 - Identify individual and common learning needs; ensuring that the Member Development Programme consistently addresses these needs and the Council's strategic themes
 - Provide Members with the opportunity to access events and activities that are appropriate to their roles and responsibilities, recognising the importance of their role within the Council, their constituencies and with partner organisations
 - Enable Members to be fully conversant with the Council's key strategic themes, in order that their activities as Councillors are consistent with Council priorities
 - Ensure that the ongoing requirements of the North West Charter on Elected Member Development are met
- 11.3 It is intended that the Strategy will be used primarily at Induction as a means of explaining to new Members the Council's commitment to Member Training and Development. However, to ensure that all serving Councillors are similarly informed, the Committee is invited to formally approve the document so that it can be issued to Members.

- 11.4 For ease of reference, a short policy statement has been created which summarises the commitments outlined in the document and the Committee is invited to formally approve this document also (Appendix 2).

12.0 Overview of Year One and Term One Issues

- 12.1 The adoption of the strategy provides a framework for the future which will be reviewed in 12 months time.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Cheshire East Council

Member Development Strategy 2009 - 2010



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Councillor Wesley Fitzgerald

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Foreword by the Leader of the Council,
Councillor Wesley Fitzgerald

***“To Aspire to work and learn together
in order to succeed”***

Cheshire East Council recognises the fundamentally important role of elected Members in establishing and maintaining the strategic direction of the Council, in order to meet the values and achieve the outcomes of its Corporate Plan. Members have a pivotal role in bringing about improvements to the quality of life of people living in the Borough. Success will be dependant upon our capacity to help provide the best possible services for our residents, workers, businesses and visitors. Central to this is our commitment to provide learning opportunities, to enable Members to develop the skills they need to carry out their roles and responsibilities and to perform fully within the Council, their neighbourhood and ward and with partners.

Effective Member Development is essential to ensure that Councillors update their knowledge and learn new skills and behaviours. This Council is committed to supporting its elected Members in their complex roles, by ensuring that appropriate learning and development opportunities are identified, realised and accessible. Only by having Members who can exploit development opportunities can we successfully implement new ways of working and continuously improve our performance.

This Strategy has been produced to enable the Council to realise the full potential of its Members in an appropriate manner and is tailored to the Council's needs. Its key aims and objectives are to:

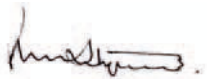
- Establish a culture whereby continuous elected Member Development is seen as a key component to the success of the organisation.
- Identify individual and common learning needs; ensuring that the Member Development Programme consistently addresses these needs and the Council's strategic themes.
- Provide Members with the opportunity to access events and activities that are appropriate to their roles and responsibilities recognising the importance of their role within the Council, their constituencies and with partner organisations.
- Enable Members to be fully conversant with the Council's key strategic themes, in order that their activities as a Councillor are consistent with Council priorities.
- Ensure that the ongoing requirements of the North West Charter on Elected Member Development are met.

I have pleasure in commending this Strategy to you and I urge everyone to whom it applies to promote the approach it advocates and to focus on the ultimate aims of learning and development. The personal benefits for Members who invest their time and effort in their own development planning include:

- Developing skills that are transferable to the community.
- Ability to exert influence where it matters.
- Greater capacity to deliver change and improvement.
- Keeping up-to-date with the changing face of local government.
- Increased confidence and ability to fulfil personal ambitions for the benefit of the local community and oneself.
- Potential to develop in the field of public service leadership is improved.

In order to provide sufficient flexibility, the strategy provides a wide range of learning options and opportunities, intended to make learning accessible to each individual and to accommodate a variety of learning styles.

It is imperative that Members fully support Member Development and are committed to its application in an effective, economic and efficient manner.



Wesley Fitzgerald
Leader of Cheshire East Council



Introduction

Strong and effective leadership is the key to efficient, accountable and responsible local government. Our Councillors are representatives, Champions and Leaders of their local communities. They make decisions, deliver change, challenge and scrutinise proposed actions, communicate the Council's plans and take up issues raised with them by their constituents. With the publication of the 'Communities in Control' white paper, all of Cheshire East's eighty one Members must be able to fully take on the role of Community Leader, empowering local people to influence service delivery.

The importance of developing the capacity of Members to lead, support and progress the Council's aims and objectives is recognised and valued by Cheshire East Council, which is committed to a policy of Member Training and Development, in line with the principles contained in the North West Charter on Elected Member Development.

The Aims of the Strategy

The aim of the Strategy, which was drawn up by the Member Development Panel, is to provide a framework for Member Training and Development over the current Municipal Year. In its simplest form it is designed to:

- Set out a means of meeting the needs of individual Members and the Council as a whole
- Raise awareness amongst Members of their own responsibilities
- Help Members to gain the skills and knowledge they require

The document promotes training and development opportunities for Members by identifying the support which will be offered by the authority and the level of commitment expected in return from its Members. It sets out the Council's short and long term strategic aims and priorities for Member Development, which reflects the corporate vision and provides a structure for delivering a programme of learning and development.

In order to provide sufficient flexibility, the Strategy provides a wide range of learning options and opportunities, intended to make learning accessible to each individual and to accommodate a variety of learning styles.

The effectiveness of the Strategy is dependent on a commitment from all Members to allocate time each year to take an active part in the events that have been organised on their behalf and reviewing their learning and development needs.

The Strategy should be read in conjunction with the authority's Corporate Plan and Constitution, both of which are available by clicking on the 'Your Council' link on the website www.cheshireeast.gov.uk



Corporate Training

Induction

The Council will provide an extensive induction programme for newly Elected and re-Elected Members, made up of a combination of training sessions, written guidance and a tour of the borough. It will start immediately after the Council elections, which are held every four years and will cover a number of essential topics, to enable Members to undertake their responsibilities quickly and effectively. Where relevant, serving Members will be invited to participate in the process; to share their experiences of life as a Councillor.

The process of induction will take a full year to complete and will include training relevant to the Members' particular role. For those Members elected following a by-election, a more tailored approach will be taken, which will cover the same essential topics.

Induction will provide Members with a sound foundation of knowledge on:

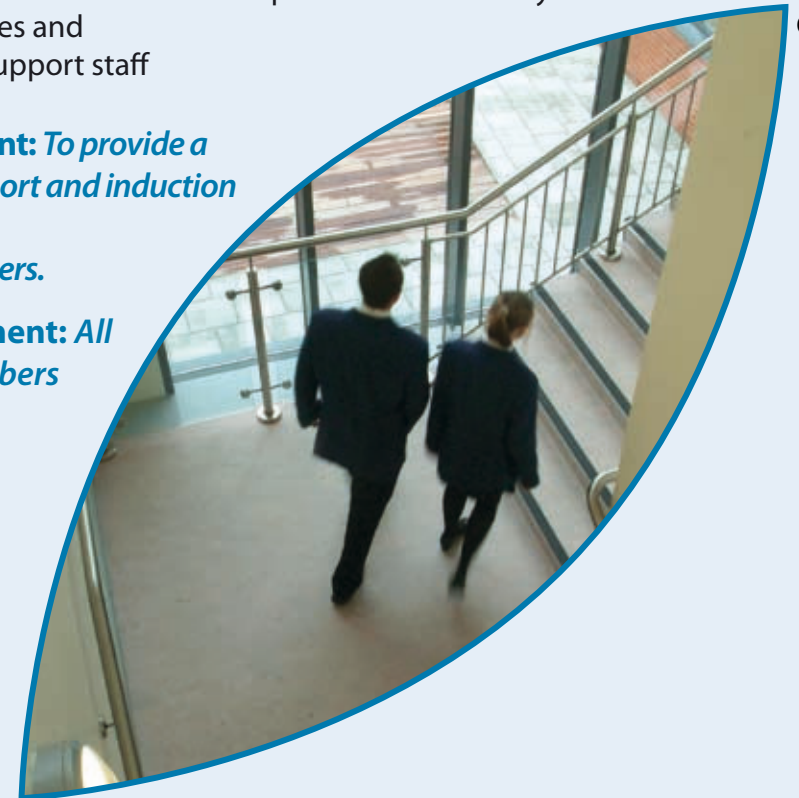
- the Council's powers and duties
- the delivery of Council services
- Members' Code of Conduct
- Local Government Finance
- the Inspection Regime
- the Council's organisational structure and principle service areas
- Member Development Programme.

To engage Members in the process from the point they join the authority, each Councillor is provided with a Development Handbook, which contains information relating to the following:

- Declaration of Commitment to the North West Charter on Elected Member Development
- The Member Development Strategy
- Cheshire East Council Corporate Plan
- Member Development Programme
- Personal Development
- Contact details for the Member Development Panel and key Democratic Services and Executive Office Support staff

Council Commitment: *To provide a comprehensive support and induction programme for all newly Elected Members.*

Member Commitment: *All Newly Elected Members will be expected to attend the sessions offered.*



Core Skills

A significant part of a Member's time is spent dealing with matters raised by constituents. Whilst some matters may require officer support to resolve, others require the Member to act as an advocate for the constituent; monitoring or tracking any delays in resolution. This may involve significant organisational, mediation and negotiation skills and an ability to prioritise casework. The Council recognises that these important skills must be addressed, whether through training, mentoring, shadowing or by other means and will ensure that all new Members receive, as part of their induction, training in these areas, if required.

Council Commitment: *To provide on-going core skills training for Members on the basis of individual need and to reflect emerging themes i.e.*

Charing Meetings, Media Awareness, Public Speaking, Presentation Skills, Dealing with Casework Information Technology, Mediation, Negotiation Skills

Member Commitment: *All Members will be expected to attend the sessions offered.*



Committee Training

Training on Committee roles and responsibilities will be made available to all Members and substitute Members appointed to the authority's Committees. In respect of quasi-judicial bodies, such as Licensing and Planning Committees, Members will only be able to participate in a meeting if they have attended a relevant training course. Training sessions will be organised by Lead Officer(s) for the regulatory function in consultation with the Senior Member Development Officer.

Council Commitment: *To:*

- i) arrange training for Members appointed to sit on a Committee, in line with allocated duties; and*
- ii) Provide on-going training for each Committee as appropriate.*

Member Commitment: *To attend the training offered to provide flexibility.*

Member Development Programme

The Member Development Programme is linked to the Council's Corporate objectives and is intended to reflect:-

- i) The needs of Members arising from Personal Development/ One to One interviews; and
- ii) The strategic themes set out in the Corporate Plan.

Each year, the document will be developed in consultation with the Member Development Panel, based on needs identified from Members' Personal Development Plans, the requirements of new legislation and emerging corporate themes. It will be a living document, which will provide an overview of the training to be planned and delivered during the Municipal Year. It will have clear objectives and links to the aims of the Council, the roles and functions of Members and any changes affecting the Council's priorities.

Where appropriate, the input of Members into the content of sessions will be sought, via the use of pre-event questionnaires, to guide the content and ensure that the event matches the expectations of the target audience. The Council will work with its partners to arrange sessions of common relevance in the pursuit of cost effectiveness.

Council Commitment: *To provide a comprehensive, topical and varied programme each year, reflecting the needs of Members and the authority.*

Member Commitment: *Members will be expected to attend relevant sessions during the year, attendance to be recorded.*

Seminars and Conferences

The Member Development Panel recognises that benefit can be achieved for both the Council and individual Member from attending seminars or conferences, provided that learning is shared within the authority.

Requests to attend conferences or seminars are first discussed with the Member's Group Leader, support for which is given based on business-need, taking into account the Member's Council responsibilities and the availability of funds.

Council Commitment: *To support the acquisition of new knowledge via attendance at conferences/seminars.*

Member Commitment: *To share with others the knowledge gained from attendance at conferences/seminars via an agreed feedback process following the event.*



Personal Training

Personal Development Plans

Personal development planning is, at its most basic, a means of helping Members to update their knowledge and learn new skills so that they can be more effective and take forward the Council's aims and objectives ensuring its priorities are met. Personal development planning enables Members to set their own goals and provides them with tangible evidence of their achievements.

Each Member is invited to participate in a Personal Development/One to One interview every two years, so that they can discuss, in a confidential setting, their development needs for the forthcoming year and identify how those needs should be met. Whilst the outcome of the discussion is pertinent to the individual concerned, the themes which emerge are shared with the Member Development Panel, which assists it to develop the following year's programme, allowing resources to be targeted fairly and efficiently.

Review meetings are held in the intervening years, with the process being used by Members to evaluate their individual performance, identify any current or future training needs and their preferred training styles. The information they choose to share with the Council will be used to identify any gaps in the broader Member Development Programme.

Council Commitment: To

- i) *Arrange a Personal Development/One to One interview for all Members every two years;*
- ii) *Offer an opportunity, one year on from the primary interview, to review progress and identify any arising development needs; and*
- iii) *Use the information gathered from Personal Development/One to One Interviews to inform the Member Development Programme for the forthcoming year.*

Member Commitment: *To attend any Personal Development/One to One interviews Review meetings arranged for them.*

Individual Developmental Needs

Where a number of Members identify the same development need (e.g. Time Management) a suitable course will be arranged. Where the need is more individual in nature, a bespoke approach will be sought; subject to the cost of making the provision being reasonable.

Council Commitment: *To seek out appropriate opportunities to meet the individual needs of Members (as far as practicable), taking into account the nature of the need.*

Member Commitment: *To attend all sessions/events arranged for their individual benefit.*



Information Technology

IT equipment will be provided to each Member following their election, who will receive appropriate support with regard to its operation, to include both technical and 'how to' support. Assistance is also available 'out of hours' via a dedicated telephone number.

As the Council favours electronic communication, it is to each Member's advantage to achieve a basic level of skill in this area. Working in partnership with Cheshire West and Chester Council, all Members will be invited to complete a Training Needs Analysis, with priority being given to supporting Members who are identified from their responses as having a need to achieve this standard.

As the Council moves towards the harmonisation of its IT hardware, IT Clinics will be offered to the more experienced Members, to discuss non urgent problems.

Council Commitment: *To supply Members with the necessary IT equipment for their role and provide adequate support.*

Member Commitment: *For each Member to commit to attaining an operational level of IT skills, in order to allow them to carry out their role as Councillor.*



Leadership Academy

The IDeA Leadership Academy supports Members who wish to explore their individual role and build on their existing skills. Funding will be made available for a limited number of Members to participate in the IDeA leadership modules, priority for 2009/2010 being given to Cabinet Members/Group Leaders.

Council Commitment: *To offer the opportunity to Cabinet Members and Group Leaders to attend IDeA Leadership Modules as places/resources allow.*

Member Commitment: *To take up any agreed placement and to provide appropriate feedback where this would be useful/beneficial to others.*

E-Learning

Individuals have different learning styles and there are some who prefer a more hands-on approach to learning, or who find it difficult to attend sessions, due to work/family commitments. E-learning enables Members to access modules at their own convenience and work at their own pace.

All Members have access to the e-learning modules provided as part of the Member Development Gateway, hosted by North West Employer's Organisation. The Training and Development page on the Council's Intranet will provides links to other useful sites, such as Modern Councillor. Further work will be undertaken in this area to extend the number of opportunities Members have to learn on-line.

Council Commitment: *To ensure that all Members have access to learning opportunities at a time convenient to them.*

Member Commitment: *Where appropriate and where in line with their learning style, to make use of E-learning resources.*



Mentoring

One-to-one mentoring is a developmental and learning technique, aimed at increasing personal capacity, skills and learning. Funding will be made available for Members to receive mentoring from an accredited peer mentor, subject to the availability of resources and personal need.

For those not allocated an accredited peer mentor, support will be made available to Members who request it from within their own political group, confirmation of which will be provided to the Senior Member Development Officer, for monitoring purposes.

Council Commitment: *To arrange appropriate mentoring support for any Member who requests it, funding permitted.*

Member Commitment: *For One to One mentoring sessions to be undertaken every two years, conducted by the Member's Group Leader.*

Monitoring

Evaluation

To be of benefit, any training has to match the needs of Members and be comparable to the objectives of the organisation and it is important that all courses are analysed in terms of relevance and effectiveness. This must be an honest and constructive assessment, so that any necessary improvements/enhancements can be made to future events. Receiving feedback from those involved is a key factor in ensuring that value has been derived by the individual and promotes continuous improvement of the programme.

The method applied will vary, dependent on the development strands; however, whenever possible learning should be shared with colleagues/Group Leaders. Where forms are used, Members may wish to retain a copy within their Development Handbooks.

- Simple evaluation forms will be used for attendance at 'in house' events, whilst Members attending conferences/seminars will be required to provide feedback to Group Leaders/Overview and Scrutiny Chairs/Senior Member Development Officer, (as appropriate)
- Newly Elected Members will be invited to attend a meeting, towards the end of their first year of office, to discuss the effectiveness of the Induction Programme.
- A synopsis of the evaluation received will be submitted to the Member Development Panel, so it is able to take account of Members' feedback. This will help to improve the Programme, with a summary submitted to the Governance and Constitution Committee for monitoring purposes.
- The Democratic Services Team will contact Members to seek evaluation and feedback on courses that have been attended.
- The Personal Development Plan review process will give Members the opportunity to reflect on how the training they have received has impacted upon them and their performance. Any comments will be analysed by the Senior Member Development Officer, maintaining the strictest of confidence and will be brought to the attention of the Member Development Panel, if required, ensuring that confidentiality is preserved.

Council Commitment: *To use the feedback provided to amend and adapt the Member Development Strategy.*

Member Commitment: *To actively participate in providing feedback via the appropriate channels.*

Recording Attendance/Achievements

The Member Development Programme aims to increase a Member's understanding of a subject, or help them learn a new skill. As many of the skills which Members have are transferable outside of local government, it is important that an individual's achievements are captured and recorded, with a training/development record being provided at the point the Member leaves the authority.

To ensure the Council obtains 'value for money' from the training it provides, Members' attendance at events is recorded, with a quarterly report submitted to the Member Development Panel.

Council Commitment: To

- i) Maintain an accurate record of the training undertaken by each Member*
- ii) Present a training portfolio to each Member at the point they leave the authority*

Member Commitment:

- i) Members will be expected to i) attend relevant sessions during the year, attendance to be recorded; and*
- ii) Inform the Senior Member Development Officer of any individual training undertaken for inclusion in their portfolio.*



Supporting Member Development

Access to Learning and Development

A number of Councillors have to balance other commitments with their roles as Ward Members; work and family being two examples. This means that the time available to Members for formal learning and development activities can be limited. By varying the times and locations of events, the Council ensures that as many Members as possible can be accommodated. The identification of dates for training events will be considered in advance, for example as part of the Council's Calendar of Meetings and Members will be encouraged to keep nominated dates free in their diaries.

For those who cannot attend on a regular basis and to reflect their individual learning styles, the Council will build up a Resource Library, to contain both electronic and hard copy reference material, which can be accessed by Members at a time convenient to them.

Resources and Support

Cheshire East Council recognises that learning and development needs to be an integral part of the Council's planning process so that areas of priority-need can be anticipated. The Council is, therefore fully committed to providing the resources and support necessary to enable all of its Members to be fully effective in their various roles and will provide access to learning and development opportunities appropriate to their needs, roles and personal circumstances. A range of methods such as 'in house' events, external facilitators and partnership working will be used to deliver training in innovative ways, to make the best use of the resources available.

Council Commitment:

To provide adequate resources to support Members in their work and to deliver the Member Development Strategy.

Member Development Panel

Chaired by the Leader of the Council, the Member Development Panel oversees training and development activities on behalf of the Council and leads on the development of relevant strategies/policies/programmes for Members. Four Members of the Panel have been nominated as Member Development Champions for the authority, although all Panel Members are ambassadors for training and development; supporting and encouraging colleagues to identify their own individual training needs and undertake a programme of development.

The Panel's priorities are to -

- identify priorities for training
- discuss and agree procedures for its delivery
- monitor the effectiveness of the programme
- act as a conduit for the exchange of information from and to political groups and the Portfolio Holder for Resources

Raising Awareness

Member Development opportunities are advertised on the intranet and invitations to attend key events are targeted at individuals, based on needs identified in their Personal Development Plans. Reminders relating to forthcoming dates are included in a weekly bulletin issued to all Councillors and notification of additional, ad-hoc training opportunities are circulated to Members who have expressed an interest in the subject matter.

To ensure that all Members are aware of discussions relating to Member Training and Development, the agendas and Minutes of meetings of the Member Development Panel are made available to all Councillors.



Cheshire East Council
Westfields, Middlewich Road
Sandbach, Cheshire CW11 1HZ
www.cheshireeast.gov.uk

APPENDIX 2**MEMBER DEVELOPMENT POLICY STATEMENT 2009/2010**

Effective Member Development is essential to ensure that Councillors update their knowledge and learn new skills and behaviours. Only by having Members who can exploit development opportunities can we successfully implement new ways of working and continuously improve our performance.

It is the policy of Cheshire East Council to support its elected Members in their complex roles by ensuring that appropriate learning and development opportunities are identified, realised and accessible. In turn Members are expected to take up the opportunities provided for their benefit and take responsibility for their own personal development.

THE COMMITMENTS**Induction**

Council Commitment To provide a comprehensive support and induction programme for all newly Elected Members.

Member Commitment All Newly Elected Members will be expected to attend the sessions offered.

Core Skills

Council Commitment To provide on-going core skills training for Members on the basis of individual need and to reflect emerging themes i.e.

Chairing Meetings Media Awareness Public Speaking
Presentation Skills Dealing with Casework Information
Technology Mediation Negotiation Skills

Member Commitment All Members will be expected to attend the sessions offered.

Committee Training

Council Commitment To i) arrange training for Members appointed to sit on a Committee, in line with allocated duties; and ii) provide on-going training for each Committee as appropriate.

Member Commitment To attend the training offered to provide flexibility.

Member Development Programme

Council Commitment	To provide a comprehensive, topical and varied programme each year reflecting the needs of Members and the authority.
Member Commitment	Members will be expected to attend relevant sessions during the year, attendance to be recorded.

Seminars and Conferences

Council Commitment	To support the acquisition of new knowledge via attendance at conferences/seminars.
Member Commitment	To share with others the knowledge gained from attendance at conferences/seminars via an agreed feedback process following the event.

Personal Development Plans

Council Commitment	To i) arrange a Personal Development/One to One interview for all Members every two years; ii) offer an opportunity one year on from the primary interview to review progress and identify any arising development needs; and iii) use the information gathered from Personal Development/One to One Interviews to inform the Member Development Programme for the forthcoming year.
Member Commitment	To attend any Personal Development/One to One Review meetings arranged for them

Individual Developmental Needs

Council Commitment	To seek out appropriate opportunities to meet the individual needs of Members (as far as practicable), taking into account the nature of the need.
Member Commitment	To attend all sessions/events arranged for their individual benefit.

Information Technology

Council Commitment	To supply Members with the necessary IT equipment for their role and provide adequate support.
Member Commitment	For each Member to commit to attaining an operational level of IT skills in order to allow them to carry out their role as Councillor.

Leadership Academy

Council Commitment	To offer the opportunity to Cabinet Members and Group Leaders to attend IDeA Leadership Modules as places/resources allow.
Member Commitment	To take up any agreed placement and to provide appropriate feedback where this would be useful/beneficial to others.

E-Learning

Council Commitment	To ensure that all Members have access to learning opportunities at a time convenient to them.
Member Commitment	Where appropriate and where in line with their learning style, to make use of E-learning resources.

Mentoring

Council Commitment	To arrange appropriate mentoring support for any Member who requests it, funding permitted.
Member Commitment	For One to One mentoring sessions to be undertaken every two years, conducted by the Member's Group Leader.

Evaluation

Council Commitment	To use the feedback provided to amend and adapt the Member Development Strategy.
Member Commitment	To actively participate in providing feedback via the appropriate channels.

Recording Attendance/Achievements

Council Commitment	To i) maintain an accurate record of the training undertaken by each Member; and ii) present a training portfolio to each Member at the point they leave the authority
Member Commitment	Members will be expected to i) attend relevant sessions during the year, attendance to be recorded; and ii) inform the Senior Member Development Officer of any individual training undertaken for inclusion in their portfolio.

Resources and Support

Council Commitment	To provide adequate resources to support Members in their work and to deliver the Member Development Strategy.
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CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject/Title: Appointment of Member Development Champions

1.0 Report Summary

- 1.1 The Governance and Constitution Committee is invited to endorse the nominations contained in the report in respect of the position of Member Development Champion for Cheshire East Council.

2.0 Recommendations

- 2.1 That

- (1) the Role Description for the position of Member Development Champion be approved; and
- (2) Councillors Wesley Fitzgerald, Ainsley Arnold, Paul Edwards and Dorothy Flude be appointed as Member Development Champions for Cheshire East Council.

3.0 Reasons for Recommendations

- 3.1 To maintain the flow of information between officers and Members, it is beneficial to have named contacts within each political group having responsibility for Member Training and Development, in turn increasing the support available to Members in respect of their personal development. Furthermore, the appointment of named advocates will support the Council's application for accreditation under the North West Charter on Elected Member Development.

4.0 Wards Affected

- 4.1 None

5.0 Local Ward Members

- 5.1 Not applicable

6.0 Policy Implications

- 6.1 None identified

7.0 Financial Implications for Transition Costs

7.1 None identified

8.0 Financial Implications 2009/10 and beyond

8.1 None identified

9.0 Legal Implications

9.1 None Identified

10.0 Risk Management

10.1 The appointment of Member Development Champions for Cheshire East Council adds weight to the authority's application for accreditation under the North West Charter on Elected Member Development.

11.0 Background and Options

11.1 The Member Development Panel has recently agreed, in principle, to the drawing up of role descriptions for Members of Cheshire East Council. Work is currently underway on drafting the descriptions which will be shared with Members before being submitted to Governance and Constitution Committee for consideration in due course.

11.2 Arising from its discussions, the Panel had considered ways of establishing formal links between the officers tasked with supporting Member Training and Development and the Members themselves. Its conclusion was to recommend the appointment of a Member Development Champion, who would act as an advocate for Member Training and Development and who would work with both Members and officers to deliver the commitments outlined in the Member Development Strategy. A draft role description is attached (Appendix).

11.3 The Member Development Panel is supportive of the initiative but considered that a Champion should be nominated from each of the political groups and the following nominees were proposed:-

Conservative	Councillor Wesley Fitzgerald
Liberal Democrat	Councillor Ainsley Arnold
Labour	Councillor Dorothy Flude
Minority Groups	Councillor Paul Edwards

11.4 The Governance and Constitution Committee is invited to approve the role description for Member Development Champion and to appoint the Councillors nominated to that role.

12.0 Overview of Year One and Term One Issues

- 12.1 The appointments will be a key element in setting a precedent for the delivery of Member Training and Development for year one and beyond.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Diane Moulson
Designation: Acting Senior Member Development Officer
Tel No: 01270 529729
Email: diane.moulson@cheshireeast.gov.uk

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MEMBER DEVELOPMENT CHARTER – DRAFT ROLE BRIEF FOR MEMBER DEVELOPMENT CHAMPION

1. Values

To be committed to the vision and objectives of Cheshire East Council and to the ten general principles of conduct set out on Pages 341 and 342 of the Council's Constitution.

2. Accountabilities

Accountable to the Council

3. Responsibilities

- To ensure that the Cheshire East Council's Member Development Strategy is delivered effectively and reviewed regularly, and that Councillors are involved in both processes.
- To ensure that a culture of continuous learning and development for Councillors is fostered, maintained and embedded.
- To provide leadership, vision and innovation in learning and development for Members.
- To explore and implement opportunities for joint working in delivery of Member learning and development.
- To work with relevant officers and Members to ensure that: the Council's accreditation to the North West Employer's Organisation's Member Development Charter is achieved at Level 1 and retained; and to lead on the Council's approach to Level 2 accreditation.
- To ensure all Members are encouraged to participate in a process to identify their learning and development needs.
- To ensure there are processes in place to make Members aware of learning and development opportunities that are available to them.
- To ensure there are processes in place to evaluate training and development provided for Members.
- To assist in the development of an annual learning and development programme for Members and to review and monitor its delivery.
- To ensure that appropriate induction training is available for all new Members

4. Skills

- Good communications and interpersonal skills
- Listening and questioning skills
- Ability to lead and chair meetings, manage time and facilitate open discussion
- Ability to influence and work constructively with Cabinet and Non Cabinet Members

- Ability to work as a member of a team
- Ability to lead by example

5. Knowledge

- Knowledge of current local, regional and national issues in relation to Members' learning and development
- Knowledge of the respective roles of Members, officers and external parties in Member learning and development
- Knowledge of the Councillor's Code of Conduct and budgetary procedures
- Understanding of the principles of rational and informed decision-making

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject/Title: Members' Allowances Scheme 2009/2010

1.0 Report Summary

- 1.1 The purpose of the report is to invite the Governance and Constitution Committee to reconvene the Independent Remuneration Panel for the purpose of i) reviewing the Members' Allowances Scheme for 2009/2010; and ii) considering an additional paper relating to associated allowances.

2.0 Recommendations

- 2.1 That

- (1) the Independent Remuneration Panel be reconvened for the purpose of reviewing the Members' Allowances Scheme 2009/2010;
- (2) a report be submitted to the Independent Remuneration Panel for the purpose of clarifying and quantifying the range of additional allowances which are claimable by Members; and
- (3) until such time as Council considers the report of the Independent Remuneration Panel, the current arrangements for the payment of Members' Allowances/additional Allowances continue to apply.

3.0 Reasons for Recommendations

- 3.1 The request to review the Members' Allowances Scheme is in accordance with Council's decision made on 2 April 2009. The operation of the Scheme has identified issues which require clarification in respect of associated allowances not contained within the formal Scheme. It is appropriate that the Independent Remuneration Panel be asked to consider these matters.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Financial Implications for Transition Costs

- 6.1 There are no such implications arising from the proposals contained in this report.

7.0 Financial Implications 2009/10 and beyond

- 7.1 There are currently no identifiable implications arising from the proposals contained in this report.

8.0 Legal Implications

- 8.1 The Council is empowered to pay a range of Allowances to Members in respect of their roles and responsibilities, but must appoint an Independent Remuneration Panel to offer advice and recommendations on the Allowances Scheme.

9.0 Risk Management

- 9.1 The reconvening of the Independent Remuneration Panel reduces risk to the authority and its Members by introducing an independent perspective to the process.

10.0 Background and Options

- 10.1 On 14 July 2008, the Governance and Constitution Committee considered a report which set out recommendations with regard to the adoption of a Scheme of Members' Allowances for Cheshire East Council during its shadow year, based on the advice of Cheshire County Council's Independent Remuneration Panel. The Committee recommended the Scheme to Council on 30 July 2008 and it was subsequently adopted.
- 10.2 A new Independent Remuneration Panel was constituted in December 2008 to make recommendations in respect of the Scheme of Members' Allowances which would apply to Cheshire East Council from Vesting Day. Having met on a number of occasions the Panel submitted its report initially to Governance and Constitution Committee on 9 March 2009 and, having received support for its proposals, the report together with an addendum was considered by Council on 2 April 2009. The recommendations were approved (Appendix).
- 10.3 The Scheme has now been in operation for six months and in accordance with Council's decision is now due for review. The Committee is therefore invited to reconvene the Independent Remuneration Panel for this purpose.
- 10.4 On the whole, the Scheme has been working well and claims are being dealt with in a timely manner. Whilst the Independent Remuneration Panel considered and made recommendations on the formal elements making up the Scheme in line with the Regulations, (e.g. Basic, Special Responsibility Allowances, Travel and Subsistence); there is now a need for a review to take place of a small number of other additional allowances e.g.

telephone/broadband connections, consumables etc. These allowances and associated expenses are payable to Members and have been paid by the demising authorities but there is now the need for a consistency of approach for Cheshire East.

- 10.5 To provide the clarity required and improve the operation of the scheme, it is suggested that, in addition to the main review, a paper be submitted to the Independent Remuneration Panel for consideration, outlining options for determining and quantifying these associated allowances/expenses.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name: Diane Moulson
Designation: Interim Senior Member Development Officer
Tel No: 01270 529729
Email: diane.moulson@cheshireeast.gov.uk

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CHESHIRE EAST COUNCIL

APPENDIX

Date of meeting:	2 April 2009
Report of:	Borough Solicitor and Monitoring Officer
Title:	Independent Remuneration Panel

1.0 Purpose of Report

- 1.1 To enable the Council to receive and consider the report of the Independent Remuneration Panel on the Members Allowances Scheme to apply from April 2009.

2.0 Decision Required

- 2.1 To consider the report and recommendations of the Independent Remuneration Panel and, if appropriate, to adopt the recommendations of the Panel on the Member Allowances Scheme to apply to the Council for 2009/10.

3.0 Financial Implications for Transition Costs

- 3.1 There are no implications for Transition costs

4.0 Financial Implications 2009/10 and beyond

- 4.1 The annual estimated cost of Members Allowances based on the proposals in the report of the Remuneration Panel, is £1.4m and this has been included in the 2009-10 Budget approved by Council in February. This estimate includes National Insurance, travel and subsistence and other oncosts. The projections will need to be kept under review in the light of the actual operating experience of the fully vested Council.

5.0 Legal Implications

- 5.1 The Council is empowered to pay a range of Allowances to Members in respect of their roles and responsibilities, but must appoint an Independent Remuneration Panel to offer advice and recommendations on the Allowances Scheme, prior to its adoption by the full Council. The report contains the required advice from the Remuneration Panel.

6.0 Risk Assessment

- 6.1 Consideration of the Panel's report enables the Council to adopt appropriate remuneration arrangements in compliance with the Members' Allowances Regulations 2003.

7.0 Background and Options

- 7.1 In order to make a Scheme of Member's Allowances for the vested Council, it was necessary for the Authority to appoint an Independent Remuneration Panel to consider and make recommendations on the Scheme's provisions.
- 7.2 Governance and Constitution Committee on 1 December 2008 formally appointed a Remuneration Panel of five independent persons. The Panel has met on six occasions, and has drafted its report on the Allowances arrangements for 2009/10. The Panel's report and recommendations were considered by Governance and Constitution Committee on 9 March, who resolved to advise Council to adopt them in full.
- 7.3 The Remuneration Panel has since met again on 19 March, to consider two outstanding aspects of the Scheme, namely whether Special Responsibility Allowance should be paid to the Cabinet Support Member posts; and also whether any co-optees allowance should be paid to co-opted and Independent Members of Committees. The Panel's recommendations are set out in the Addendum to this report.

8.0 Overview of Day One, Year One and Term One Issues

- 8.1 The need for a Scheme of Members Allowances is required for Day One, to apply for the whole of Year One and to form the basis of the Scheme thereafter.

9.0 Reasons for Recommendation

- 9.1 The Council is requested to consider the report of the Independent Remuneration Panel, and decide upon the adoption or otherwise of the Panel's recommendations for the Allowances Scheme.

For further information:

Portfolio Holder:

Officer: Mike Flynn, Governance Lead Officer

Tel No: 01244 972260

Background Documents:

Office of the Deputy Prime Minister Guidance on Consolidated Regulations for Local Authority Allowances (July 2003)

Documents are available for inspection at Legal and Democratic Services
Westfields Sandbach

Report of Cheshire East Council's
Independent Remuneration Panel

Cheshire East Council's Allowances Scheme
From 1 April 2009

Introduction

- 1 The Implementation Order for Unitary Local Government in Cheshire applied Cheshire County Council's Scheme of Member Allowances to the Shadow Unitary Councils for the period May 2008 - March 2009 inclusive. An interim scheme for the Shadow period was approved, adopted and applied.
- 2 Cheshire East Council recognised the requirement for an Independent Remuneration Panel to consider and make recommendations with regard to the levels and types of Members' Allowances that should be adopted by the vested Council from April 2009.
- 3 The Panel and its Membership was agreed and appointed by the Governance and Constitution Committee on 1 December 2008 and consists of the following Independent Members:-

David Routs (Chair)
Prof. Michael Burdekin
Jan Charles
Christine Crowe
Peter Foden
- 4 Officers supporting the Panel are:
Mike Flynn, County Secretary and Cheshire East Governance Lead;
Ian Jones, Business Manager, Cheshire County Council and Acting Secretary to the Panel;
Steve Wilcock, Finance Manager, Cheshire County Council.
- 5 The Panel met on 6 occasions (18 November (preliminary), 3 and 16 December, 13 January, 23 February and 19 March) and this report sets out the Panel's recommendations for consideration by the Cheshire East Council.
- 6 The Panel invited all Members of the Shadow Council to submit their views on allowances arrangements taking account of the developing political structure, the responsibilities and the time commitments. The Panel received a total of 7 written responses as well as the views of representatives of the Governance and Constitution Committee who met with the Panel at its preliminary meeting.
- 7 The Panel devoted time at the start of the deliberations to the special position which Cheshire East occupies, as a new Unitary Council moving from 'Shadow' mode to vested status on 1 April, with all of the demands and challenges which this will place on Members.

- 8 It was noted that the new Council would deliver or commission all of the local authority services in its area. Cheshire East with a population of 360,700 is the third largest Unitary Authority in the North West and the ninth largest in England. It covers an area of 116,630 hectares, employs approximately 14,000 staff and has a net budget of £235m. Accordingly it is a substantial organisation, which the Panel felt should be reflected in the allowances arrangements.
- 9 The Panel was aware that the political management structures of the Council were still developing, and these arrangements have continued to progress whilst the Panel was considering the Scheme.
- 10 The Panel was advised that the Council intended to adopt the “strong leader” model of Executive, and that there would be delegation from the full Cabinet to individual Cabinet Members, thereby increasing individual accountability for each portfolio area. These arrangements were approved by the Council on 24 February.
- 11 These developments would place more responsibility on the role of Overview and Scrutiny, in terms of the review of Cabinet activity and the provision of advice and recommendations on policy development. Other new roles for scrutiny included the NHS, other external bodies through the Local Area Agreement and Community Safety arrangements, and the forthcoming need to deal with Councillor Call for Action and Local Petitions. The Council has resolved to appoint five Scrutiny Committees to deal with this work, together with “Task and Finish” review Panels, all of which will place significant burdens on the non-Executive Members.
- 12 Equally the Council has now established its arrangements for dealing with Planning matters and Licensing, following a similar pattern of a “strategic” Committee in each case, with a separate North and South Committee (Planning) or Sub-Committees (Licensing) to deal mainly with the detailed applications. The Panel accepted that the workload of these Committees and Sub-Committees would be high with significant demands (including training) placed upon their Members.
- 13 Still developing are the Council’s proposals for local working, through the “pilot” Local Area Partnerships (LAP’s). The Panel understand that the success of the Council will be judged partly against the effectiveness of this engagement with local communities. Although how this will work in practice is not yet fully clear, the Panel was of the view that the Local Working/representational element of Members work would be both time consuming and important, and that the level of basic allowance in particular should reflect this. Further consideration would need to be given to the possibility of a Special Responsibility Allowance for the LAP Chairs in due course.
- 14 The Panel considered the position of the Opposition Groups and the nature of the contribution they can make through the political management arrangements to the operation of the Council. The Panel is minded to advise that some SRA’s should be available to Opposition Leaders and Whips. However the Panel was unable to come to a view at this stage about the role and contribution which might be made by Opposition Spokesmen if they were to be appointed. If the Council requires, the Panel is willing to reconsider this aspect, on the basis of further information on the nature of the

Spokesperson's role and responsibilities and whether any such appointments will be made in the Council's formal structures.

- 15 The Panel was also advised about the intention to create the role of a 'Cabinet Assistant' (possibly up to 4 such posts) in order to increase the overall capacity of the Cabinet. The Panel will be happy to consider this when more details are available as to the responsibilities of the Cabinet Assistants.

- 16 The Panel's Approach included consideration of the following issues:-

- The provision for special responsibility allowances (SRA's), the rate of basic allowance and the other more detailed aspects of the allowance scheme.
- the Shadow Council's developing political structures, portfolio holders' service responsibilities and summaries of the Shadow and County Council current posts that attracted SRA's.
- Comparative allowances information (including population and area size), including information gathered from the following unitary authorities: Kirklees, Corydon, Blackpool, East Riding, Stockport, Trafford, Barnet, Wakefield and Wirral
- Employers' NI and travelling and subsistence costs, as well as the applicability of the Local Government Pension Scheme.

- 17 The Panel received and considered the following documentation:-

- Government Guidance on Local Authority Allowances
- A Guide to the current Shadow Council Scheme including travel and subsistence
- Protocol on Member / Officer relations
- Members SRA Template
- Child Carer/Dependent Carers Allowance Guidelines
- Model Member Job Descriptions
- Health and Adult Social Care Committee report
- A comparative information paper showing examples from other Unitary Councils and County Councils Network data
- Information on and terms of reference of Licensing Committee and Sub-Committee Chairmen etc.

- 18 In considering the basic allowance, due regard was given to comparator information, the basic rate established at the County level, the views of Council Members, the current national average wage (£24,900), affordability and the element of volunteering for public service.

- 19 An underlying principle is that the Basic Allowance is used as the basis from which all SRAs are calculated, in accordance with an appropriate weighting and differential gearing; weightings were applied to each SRA with a methodology involving the perceived work of the posts and using best judgement and assessment of the posts with the available information. Use of the Basic Allowance as a basis for SRA levels is a generally accepted method for Remuneration Panels and the Panel confirms this for its recommended scheme.

- 20 In considering the gearing factor which should be applied to each post following the establishment of the basic allowance, Members considered each post carefully in relation to the amount of time, effort and responsibility which was applicable in each case.

Conclusions

- 21 It was agreed that 45% of the current national average wage would be a fair reflection of the work involved taking everything into consideration including the voluntary 'public service' element of the Councilor role. This would be a good starting point to attach gearing percentages in order to establish SRA payments and therefore the **recommendation for Basic Allowance would be £11,200.**
- 22 A 'template' was developed by the Panel showing the offices to which **Special Responsibility Allowances** should apply in the Shadow Council's Political Structures and the Panel considered and agreed on all posts eligible for SRA payments, recognising that the structure would be subject to further change and development. In considering the gearing factor which should be applied to each post following the establishment of the basic allowance, Members considered each post carefully in relation to the amount of time, effort and responsibility which was applicable in each case. The recommendations are set out in Appendix 1.
- 23 It was agreed that Child Carer/ Dependent Carers Allowance be paid as outlined in the template.
- 24 It was agreed that the current Shadow Subsistence and Travel Allowances scheme be adopted with the appropriate uplift wef 1.4.09 in relation to RPI.
- 25 The Panel recommend that access to the Local Government Pension Scheme be available to all members and be applied to both Basic and the payment of Special Responsibility Allowances
- 26 The Panel agreed to apply the application of Travel Allowances for Nominated Member duties at an HQ building for essential business only which arises directly from the offices which these Members hold.
- 27 The Panel agreed to undertake further work on the possible payment of allowances to Independent and co-opted members who are formal members of Committees.
- 28 The Panel recommends that there be just one payment of SRA to any Member and in the case of a Member being eligible for more than one payment the entitlement would be to the higher SRA.

Review

- 29 The Panel was keen to acknowledge that the new Authority's political structure could be subject to change over the first year and perhaps the year beyond, as the Council evolves. This will require a flexible approach to the review of allowances as changes occur. Whilst an annual review of the Scheme as a whole is the ideal, the Panel considered that allowances should normally be revised, at the appropriate time each year, by being linked to the prevailing Retail Price Index (RPI).

Recommendations

The Remuneration Panel recommends

- (1) the adoption of the allowances arrangements as set out in Appendix 1**
- (2) the adoption of the current levels (Shadow Council) of travelling and subsistence, as outlined in Appendix 2, subject to an adjustment if necessary for inflation (RPI) with effect from 1 April 2009.**

David Routs
Chair

Appendix 1

Members Allowances from 1/4/2009

		Gear	SRA £
Basic Allowance	81		11200
Mayor	1	1.25	14000
Deputy Mayor	1	0.5	5600
Carers Allowance (max)		0.55	6100
Council Leader	1	2.5	28000
Deputy Council Leader	1	1.5	16800
Cabinet Portfolio	8	1.25	14000
Scrutiny Committee – Chair	5	0.65	7280
Vice Chair 5 0.22 2460			
Public Rights of Way Committee Chair	1	0.5	5600
Vice Chair	1	0.165	1850
Appeals Committee Chair	1	0.65	7280
Vice Chair	1	0.22	2460
Planning Board – Chair	1	0.65	7280
Vice Chair	1	0.22	2460
Area Planning Committee Chair	2	0.65	7280
Vice Chair	2	0.22	2460
Governance & Constitution Committee Chair	1	0.65	7280
Vice Chair	1	0.22	2460
Licensing Committee – Chair	1	0.65	7280
Vice Chair	1	0.325	3640
Staffing Committee – Chair	1	0.65	7280
Vice Chair	1	0.22	2460
Standards Committee – Chair	1	0.65	7280
Vice Chair	1	0.22	2460
Opposition Spokesperson		0 0	
Main Opposition Leader	1	0.65	7280
Main Opposition Deputy Leader	1	0.325	3640
Opposition Leaders	2	0.5	5600
Administration Whip	1	0.325	3640
Deputy Administration Whips	2	0.15	1680
Opposition Whips	3	0.15	1680

Appendix 2

**PROPOSED TRAVELLING, SUBSISTENCE AND OTHER
ALLOWANCES/REIMBURSEMENTS**

1. Dependants' Carers' Allowance

£6,100 - maximum total amount payable to an individual Member each year subject to production of receipts. This element of the allowances scheme is seen as an important factor in enabling Members to fulfil their duties as well as being able to care for dependents (children and adults in their care).

2. Travelling Reimbursement (in line with officer scheme)

2.1 Car Rate per Mile

Miles per Annum	451 – 999 cc	1000 – 1199 cc	1200 cc+
per mile first 8,500	42.9p	46.9p	58.7p
per mile after 8,500	32.3p	13.6p	15.8p

2.2 Rail Travel

All Rail Travel to be booked centrally through the travel bookings system wherever possible and second class travel to be used, unless in exceptional circumstances where a good business case can be made for first class. Where applicable senior rail cards to be used to reduce cost.

2.3 Motor cycle or moped allowance

	Rate per mile	Rate per mile	
Motorcycle	126 - 250cc	251 - 500cc	
For the first 1,500 per annum	27p	35 .5 p	
Moped	500cc+	Up to 125 cc	Up to 50cc
For the first 1,500 per annum	39.2p	18.8p	12.4p
Non motorised transport e.g. bicycle	11 pence per mile		
Additional rate for each passenger, not exceeding 4, to whom a Travelling Allowance would otherwise be payable:	1.0 pence per mile		
Expenditure on tolls, ferry or car parking:	Actual Amount		

Overnight garaging supplement,
where the Member is absent
overnight: Actual Amount

3. Subsistence Reimbursements (add uplift for RPI wef 1/4/09)

Breakfast Allowance for a duty of more than 4 hours concluding before 12 noon
£8.29

Lunch Allowance for a duty of more than 4 hours concluding after 12 noon
£10.64

Dinner Allowance for a duty of more than 4 hours concluding after 6 p.m.
£16.69

Dinner Allowance (London and abroad) for a duty of more than 4 hours
concluding after 6 p.m. £34.57.

Overnight outside London: £118.60 (to include breakfast)

Overnight in London - £142.31 (to include breakfast).

The limitations on reimbursement are:

(i) Absence of more than 4 but less than 8 hours, the cost of 1 main meal.

(ii) Absence of 8 hours or more but less than 12 hours, the cost of 2 main
meals.

(iii) Absence of 12 hours or more, the cost of 3 main meals.

(Receipts must be submitted with such claims)

5. Members Surgeries

Up to a maximum of £32 for room hire in connection with the conduct of a
Member's Surgery, subject to a maximum of twelve such claims per annum and
the submission of necessary receipts.

Approved Duties:

**It is suggested that Members may claim travel, subsistence and other
allowances for approved duties detailed below:**

- Attendance at meetings of Council, Committees, Sub-Committees, Cabinet meetings (including by invitation) Special Committees, Panels, Boards, Forums, Local Joint Highways and Transportation Committees, District Public Transport Liaison Committees and Working/Task Groups
- Attendance at visits of inspection of sites and buildings arranged by any of the bodies listed above

- Attendance at meetings of bodies on which the Borough Council is invited to be represented and Outside Body Meetings to which the Governance and Constitution Committee make appointments but excluding School Governing Bodies

- The doing of anything as Chairman or Vice-Chairman of an outside body on which the Member is representing the Borough Council

- Conferences/Seminars

- Authorised briefings for Committees/Sub-Committees/ Cabinet meetings including all meetings which are called by officers of the Council e.g. Pre Agenda meetings

- Duties undertaken by a Chairman/Cabinet Member

- Courtesy Visits

(ie

- Civic duties of the Mayor and Deputy Mayor of the Council
- Service duties and visits undertaken by the Chairman/Vice Chairman of Committees and Sub-Committees and by Cabinet Members
- for individual Members, attendance at official openings, open days, presentations, meetings with VIPs, receptions etc all of which take place outside the Electoral Ward)

- Governors of FE/HE Colleges, Residential Special Schools and Independent Schools

- 'Nominated Member' Duties - those members covered by this element of the scheme are deemed to be for travel to the authority's Administrative Buildings as follows for essential business arising from the office which they hold:

- Leaders
- Deputy Leaders
- Group Whips
- Mayor and Deputy Mayor

- Attendance at Parish Council Meetings within the Electoral Ward

- Member Learning and Development Events

- For Parent Governor Co-opted Members – travel expenses to the Cheshire East Association of Governing Bodies meeting (Maximum 12 p.a.)

Addendum to Report of Cheshire East Council's
Independent Remuneration Panel

In addition to the report and recommendations outlined above the Independent Remuneration Panel considered the following matters at their meeting on 19 March and makes further recommendations and comments.

(1) Cabinet Support Members

The Panel was provided with a proposed "job description" but found it difficult to assess the time and commitment required in these posts. The Panel also felt that it might be difficult for individual Members to provide support to all of the Cabinet portfolios rather than specific ones given the breadth of knowledge involved. However should the Council choose to appoint these posts then the SRA be recommended in a range between a gearing of 0.5 and 0.65 of the basic allowance:-

Members Allowances from 1/4/2009		Gear	SRA £
Cabinet Support Members	4	0.5	5600
OR		0.65	7280

(2) Statutory Co-opted Members, Independent Members of Standards Committee
and other Co-opted Members onto a Committee/Body with a regular
commitment

The panel recommends that a claimable allowance be made available of £30 per meeting attended.

(3) Review of Allowance Scheme

Given the Council becomes fully vested from 1 April, the Panel anticipates a further meeting in the late Autumn to review the allowances arrangements in the light of operational experience.

David Routs
Chair
19 March 2009

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Borough Solicitor
Subject/Title: Local Ward Members' Protocol and the Councillor Call for Action Protocol
Portfolio Holder: Leader

1.0 Report Summary

- 1.1 The purpose of this report is to propose a Local Ward Members' Protocol (Appendix A) and a Councillor's Call for Action Protocol (Appendix B) which will strengthen Member involvement at Ward level through the provision of timely, relevant information on local issues.
- 1.2 The Local Government and Public Involvement in Health Act emphasises the importance of the role of Ward Members as community leaders and advocates their empowerment to deal with local issues. These Protocols will illustrate how Members, with officer support, can achieve this.
- 1.3 The Local Ward Members' Protocol has received the informal comments of both the Leader and the Cabinet and their suggestions have been included. The Councillor Call for Action Protocol has been considered by the five Scrutiny Committee Chairmen and appropriate revisions have been made.

2.0 Recommendations

- 2.1 That the Committee consider Appendices A and B and recommend to Council that they be adopted and incorporated into the Constitution.

3.0 Reasons for Recommendations

- 3.1 The Local Ward Members' Protocol and the Councillor's Call for Action Protocol are recommended for adoption as a means of ensuring improvement of Member involvement at Ward level.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The proposal is to incorporate these two documents into the Council's Constitution.

7.0 Financial Implications 2009/10 and beyond

- 7.1 There are no direct financial implications arising from this report.

8.0 Legal Implications

- 8.1 In order for the Protocols to become part of the Constitution, this Committee must first make a recommendation to the Council to this effect.

9.0 Risk Management

- 9.1 No implications

10.0 Background and Options

- 10.1 There are no background papers

11.0 *Access to Information*

There are no background papers.

Name: Shirley Hudspeth

Designation: Democratic Services Team Manager

Tel No: 01270 686029

Email: Shirley.hudspeth@cheshireeast.gov.uk

Local Ward Members' Protocol

1. Scope

- 1.1 Local ward members as community champions have an important role to play in representing the Council in their wards, responding to the concerns of their constituents, in meetings with partners and serving on external bodies and organisations. It is essential for the proper running of the Council that members are fully informed about matters on which they may be required to make decisions or which affect their wards. **Quite simply, members should be “the first to know” of events and issues affecting their wards.**
- 1.2 The basic building blocks of democratic representation are at ward level. Therefore, the Council accepts that members need to be aware of significant developments within their wards if they are to be effective in their roles as spokespersons on behalf of their local communities.
- 1.3 The following protocol sets out a framework of rights or practices, which are to be applied to local ward members. The protocol cannot be comprehensive and its provisions must be interpreted flexibly and with regard to any special circumstances, which may apply in any particular case. They represent a base line from which any departure should be capable of justification. Except where impractical the Chief Executive and the Leader should approve any departure from this protocol.

2. Definitions

- 2.1 A “local matter” is an item where relevance is restricted to a particular ward. In this protocol “local ward member” shall mean the member(s) for a ward to which a matter relates exclusively or which relates solely to an elector of that ward and “local matter” shall be interpreted accordingly.
- 2.2 Where a single matter contains a series of discrete items some or all of which relate exclusively to the ward of a member(s) then each item shall be treated as a “local matter”.
- 2.3 Where a single matter applies to not more than three wards the Chief Executive or the Corporate Management Team shall give consideration to treating the matter as a “local matter” for each of the relevant members and shall apply the spirit of this protocol accordingly.

3. Duty on Chief Executive and Corporate Management Team

- 3.1 It is the duty of each chief officer to ensure that all relevant staff are aware of the requirement to keep local ward members informed and that the

timing of such information allows members to contribute to those discussions.

Local ward members should also be kept informed about matters affecting their wards during the formative stages of policy development. It is important in an effective democratic process that they know early on if they are to deal with their constituents' concerns or to exert influence on their behalf.

4. Business Conducted in Committee s etc

- 4.1 The Chief Executive, Directors and Managers should normally ensure that local matters being reported through the committee process are identified and marked accordingly on the front page of the report. The Chief Executive should ensure that a copy of the agenda and papers are supplied by electronic means to the local ward member(s) at the same time as the Committee papers are despatched.
- 4.2 ***Subject to the Council's Code of Conduct for Members, the usual rules regarding bias and predetermination and any special rules regarding regulatory committees (including the protocols on public speaking at meetings of the Strategic Planning Board and Planning Committees), the current rules permit local ward members to attend and ask questions at meetings of Council and to speak at meetings of Cabinet, committees and sub-committees. Members must give 3 clear working days' notice of the intention to ask a question at Council and must obtain the permission of the Leader or Chairman to speak at Cabinet, committees or sub-committees. Where permitted to do so, visiting Members may speak for up to 5 minutes.***
- 4.3 If local ward members do not attend such a meeting for whatever reason, they should be advised by the convenor of the meeting (provided the meeting is convened by the Council or its officers) of any significant outcome.

5. Business Conducted Outside Committee

- 5.1 Senior Officers as well as the Leader and Committee Chairmen and Vice-Chairmen are expected to keep local ward members apprised of **significant** matters that are not the subject of a report to Council or its Committees, but which relate specifically to the local member's ward or which may have a material impact in the local area of which the ward is a part. Significant matters include matters or items that are of concern to the general public and local ward members.

6. Consultation

- 6.1 Whenever the Council undertakes any form of consultation exercise, the local ward member(s) will be notified at the outset of the exercise.
- 6.2 Local ward members will be advised of all planning applications relating to their wards (and be able to view them within the Planning Department dealt with by the Council as the Planning Authority). Licensing applications are available for viewing on the website, which is routinely updated.

7. Expedited Procedures – Consultation

- 7.1 Where an officer *or an individual Portfolio Holder* makes a decision in accordance with the scheme of delegation on a local matter, a letter setting out the details of the matter and the course of action it is proposed to take, detailing the options and giving reasons for making the decision should normally be sent, by electronic means, to the local ward member(s) by the relevant chief officer.

8. Local Meetings

- 8.1 Where any public meeting to be held in a member's ward is arranged by the Council the local ward member(s) for the ward in which the public meeting takes place will be informed of the event and invited to attend by the Chief Executive or relevant Director e.g. a Planning Inquiry.
- 8.2 Local ward members will be invited to the opening of any Council buildings/projects or launches of services in their wards though if present the Mayor/Deputy Mayor, Leader/Deputy Leader, relevant Committee Chairman/Vice-Chairman shall take precedence unless otherwise agreed.
- 8.3 A copy of the Mayoral Engagement List shall be sent by electronic means to all members in order that they are kept informed of the Mayor/Deputy Mayor's attendance at any occasion in their ward.
- 8.4 Where a local liaison or local consultation group is established by the Council consideration should be given to whether the local ward member(s) should be invited to attend to observe if not appointed as a member of the group.

9. Publicity

- 9.1 Any publicity activity organised by officers in a member's ward whether of a local nature or borough wide nature will seek to involve the relevant local ward member(s) where possible.

10. Officer Meetings and Correspondence

- 10.1 The nature and extent of correspondence between the Council's Directorates on the one hand and the public or specific clients or recipients of services including their representatives on the other is such that it is neither always appropriate or practical for local ward members to be advised of all such matters.
- 10.2 Where any officer is invited to attend a meeting of a Parish Council they shall inform the ward members, by electronic means. Further, where senior officers are invited to attend a meeting with a public body in relation to a local matter, the local ward member(s) should normally be made aware, by electronic means, of the general circumstances.
- 10.3 Any information communicated to the local ward member(s) shall be without prejudice to the right of an officer to communicate with any relevant Committee Chairmen, Group Leader or other member(s) as appropriate in the circumstances.

11. Action Relating to Other Members' Wards

- 11.1 Where a member wishes to propose a motion or seek a debate or otherwise speak in a meeting of the Council or a Committee in relation to a local matter in another member's ward, they should seek wherever possible, as a matter of courtesy, to give prior warning to the local ward member(s).
- 11.2 All members who involve themselves in matters relating to the Council or its functions in wards other than their own should seek, as a matter of courtesy, to advise the local ward members of these actions and should do so in advance if circumstances permit. (This shall not apply to canvassing or other party political activity.) However, it must be accepted that Cabinet and Scrutiny Members will on occasion have a need to consider issues which involve individual wards and it may not always be possible to inform local ward members in advance.

12. Community Amenities

- 12.1 Under this protocol all Directorates must notify local ward members if they become aware of any proposals for the closure or opening of community amenities, including post offices, bank branches, health facilities etc.

13. Confidentiality

- 13.1 The local ward member(s) under this protocol must not make public nor make personal use of any information or material supplied to them where the supplier of the information has indicated that it is of a confidential

nature. They must also comply with any relevant provisions of the Data Protection Act and the Freedom of Information Act.

14. Commitments

- 14.1 Local ward members are reminded that they do not have the right to commit the Council or its officers to any particular course of action and should ensure that they do not convey to the public any false impression of commitment or give any undertaking that they are not in a position to personally fulfil.

15. Freedom of Information Requests

- 15.1 Local ward members will be advised of any Freedom of Information requests that affect their wards.

16. Dissemination of the Protocol

- 16.1 The protocol will be disseminated throughout the Council to ensure that all officers communicate with and involve local ward members and therefore it is proposed to do this by the following means:

- Talking East - Council intranet
- Corporate Management Team's minutes
- Departmental Management Teams
- Talking East – Your Monthly Staff Newsletter
- Induction
- As part of the Communications Strategy

17. Review of this Protocol

- 17.1 The Local Government and Public Involvement in Health Act 2007 contains provisions regarding the role of local ward members, which may require amendment of this policy in due course. The Council's Standards Committee may issue revisions from time to time.

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Councillor Call for Action Protocol – A Guide

1. What is the Councillor Call for Action?

- 1.1 The Councillor Call for Action (CCfA) process provides ward Members with a means of escalating matters of ward concern to a Scrutiny Committee, for possible onwards recommendations to the Council's Cabinet and/or other agencies. **It is very important to note that a CCfA is intended to be a measure of "last resort" and may not be used until all other avenues have been exhausted.** The CCfA may not be used in relation to individual planning and licensing decisions or where other avenues of appeal exist.
- 1.2 This guide has been prepared to offer assistance to a Councillor who is thinking of pursuing a CCfA and has regard to a best practice guidance booklet published by the Centre for Public Scrutiny and the Improvement and Development Agency.

2. What is CCfA designed to achieve?

- 2.1 CCfA should be seen in the context of wider changes introduced to provide overview and scrutiny with greater powers to work more closely with partners and across organisational boundaries. It will enable Councillors, as the democratic representatives of their communities, to raise issues that it has not been possible to resolve by other means.
- 2.2 CCfA should not be seen in isolation. It is part of a range of measures available to a ward Councillor in support of his or her representative role, including the internal feedback process, petitions, call-in etc.

3. Who can raise a CCfA?

- 3.1 It is open to any Councillor to raise a CCfA at a meeting of one of the Council's Scrutiny Committees. The Councillor does not have to be a member of the relevant Committee.
- 3.2 A Councillor whose CCfA is listed on an agenda for a Scrutiny Committee meeting will be invited and expected to attend that meeting to speak to the item. However, in exceptional circumstances, the Councillor concerned can send a substitute. The decision to allow this will be taken by the Borough Solicitor in consultation with the relevant Scrutiny Committee Chairman and Vice-Chairman.

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4. What can be raised through a CCfA?

- 4.1 A Councillor who is a member of a Scrutiny Committee can raise any matter that is within the terms of reference of the Committee. Any Councillor can raise a local government matter with any of the Council's Scrutiny Committees and in particular, issues relating to the local neighbourhood. A local government matter can relate to the discharge of any function of the Council and, more locally, all or part of the Councillor's ward or any person who lives or works in it. In line with the area focus of Comprehensive Area Assessment and the fact that the Council's duties increasingly impact on other organisations and involve partners within and outside the Local Strategic Partnership, a Councillor can raise any issue that relates to the economic, social and environmental well-being of his or her ward.

5. Is any matter excluded from a CCfA?

- 5.1 Yes. There are certain exclusions from CCfA. The Scrutiny Committee may reject any Call for Action if it:
- is not a matter for which the local authority or its partners has a responsibility, or which does not affect the borough
 - is defamatory, frivolous or offensive
 - is substantially the same as a Councillor Call for Action which has been put to any meeting of the Council in the past 6 months
 - is a matter relating to a planning decision
 - is a matter relating to a licensing decision
 - is a matter relating to an individual or entity in respect of which that individual or entity has a right of recourse to a review or appeal conferred by or under any enactment
 - is vexatious, discriminatory or not reasonable* for inclusion on an agenda for discussion at a meeting of a Scrutiny Committee.
- 5.2 Although a CCfA can not be raised on a single licensing or planning decision, a CCfA can be raised about licensing and planning decisions and other decisions where there is a right to review or appeal if the CCfA consists of an allegation that the authority responsible has failed to discharge the function or is failing on a systematic basis.

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6. What other avenues are available to resolve an issue?

6.1 There is a wide range of both formal and informal avenues available that a Councillor can use to influence, change and resolve problems. These include:

- Motions on the agenda for Council
- Local Area Partnerships (LAPs)
- Written and oral questions at Council
- Exercising the right to ask for items to be included on an agenda
- Organising a petition
- Organising a public meeting
- Informal discussions with officers or other Councillors
- Liaison and discussions with Councillors of other authorities, such as Town or Parish Councils
- Writing to or emailing an officer or an officer of another authority on behalf of a constituent

6.2 It is important to recognise CCfA as a last resort rather than the primary route to getting constituency issues resolved. It would be an unnecessary waste of resources if a Councillor tried to deal with all constituency issues or matters of concern by raising them on a Scrutiny Committee agenda. A Councillor should try to resolve matters informally or at a local level before considering whether to pursue a CCfA. Advice can be sought from the Senior Scrutiny Officer on appropriate courses of action.

6.3 A ward Member requesting a call for action will be asked to demonstrate that he or she has sought to address the issue through all existing means and the call will not be considered unless the relevant Scrutiny Committee is satisfied that:

- the Councillor has made all reasonable efforts to resolve the matter via dialogue with Council officers and or relevant partners and particularly the Local Area Partnership;
- the issue of concern is a matter in respect of which the Council has a statutory power or duty to deal with which is not precluded by legislation; and
- the issue of concern has a demonstrable impact on a part of or the whole of a Councillor's ward.

6.4 Before a CCfA can be progressed to scrutiny, the Councillor must provide documentation to show that they have taken the following steps:

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- made the relevant service request / Members' enquiry/letter to relevant other agency
- raised the issue with the relevant Cabinet Member or senior representative of a partner agency
- raised the issue of concern at relevant meetings dealing with crime and disorder matters
- brought the matter to the attention of the Local Area Partnership.

6.5 Care should be taken by a Councillor not to offer definitive advice to a constituent about a particular issue which may lead to action or expenditure on the part of the constituent. Councillors are not insured to do so and any subsequent claim by a constituent that the advice was flawed could lead to embarrassment and costs.

7. How will the process work?

7.1 The ward Councillor's role in the consideration of the CCfA, as with any formal Council business, is subject to compliance with the Members' Code of Conduct

7.2 A Councillor wishing to raise a CCfA should contact the Senior Scrutiny Officer with the appropriate details not less than ten working days prior to the despatch of an agenda for the Scrutiny Committee on which the item is to be included. He or she should explain:

- The background to the CCfA
- What action the Councillor has already taken to try to resolve the issue informally
- If the issue is being raised on behalf of a constituent, what action the constituent has taken to try to resolve the matter
- What resolution the Councillor (or constituent) is seeking to achieve
- The decision/recommendation(s) of the Local Area Partnership.

7.3 It is important to recognise that CCfA is not appropriate for an individual complaint, e.g. a complaint by an individual resident about a failure to collect refuse or about an incident in a leisure centre. Avenues for complaint already exist to deal with such matters through the Council's Complaints Procedure. However scrutiny can become involved where it is felt that a series of complaints demonstrates a systematic failure in a particular service.

7.4 On receipt of the request, the Senior Scrutiny Officer will obtain any further information thought to be necessary from the Councillor, including any documentation that may be available, and his or her availability to attend the Committee meeting when the CCfA is to be raised. The Senior Scrutiny Officer will consult with the Chairman of

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the relevant Scrutiny Committee on whether the CCfA can be accepted or whether it should be excluded under the statutory criteria.

- 7.5 In considering whether to include the CCfA on an agenda, regard will be had to any representations made by the Councillor in support of his or her request. The Borough Solicitor, after consultation with the appropriate Chairman and Vice-Chairman, will consider whether a CCfA can now be accepted and, If so, which Committee it should be considered by. If the CCfA is rejected, the Councillor will be notified of the decision and the reason for it.
- 7.6 The relevant Cabinet Member will be invited to attend the Committee meeting at which the CCfA is to be raised, together with a senior officer from the appropriate directorate or service.
- 7.7 When an item is raised at a Committee meeting, the Councillor bringing the CCfA or, in exceptional circumstances the substitute, will be invited to speak to the Committee about the issue and what outcome is being sought. The Committee may:
 - Challenge the expected outcome if it feels that this is unreasonable or inappropriate
 - Seek further information from the Councillor bringing the CCfA
 - Invite the Cabinet Member or senior officer to respond to the issues raised by the Councillor
 - Decide to ask the Cabinet Member or senior officer to report back to a future meeting with further information, after investigating the issue raised
 - Decide whether to invite a representative of a partner or other organisation to attend a future meeting if the CCfA relates to an issue that is the responsibility of that organisation
 - Appoint a task and finish group to investigate the issue further and report back with recommendations
 - Recommend the Cabinet Member or Cabinet to pursue a particular resolution to the CCfA
 - Decide that it would be inappropriate to pursue the matter any further giving reasons
 - Refer it back to the Local Area Partnership setting out the reasons why it has decided on this course of action
- 7.7 If the Committee decides to submit a report and/or recommendations either to the authority or the Cabinet, it will provide the Councillor with a copy.
- 7.8 The decision of the Committee on the CCfA shall be final.

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7.9 The same procedure will apply to Cabinet in respect of CCfAs that fall within its remit.

8. ***Definitions**

8.1 Any matter which is vexatious, discriminatory or not reasonable is excluded from CCfA

8.2 **'Vexatious'** is defined in guidance to the Freedom of Information Act as 'Deciding whether a request is vexatious is a flexible balancing exercise, taking into account all the circumstances of the case. There is no rigid test or definition and it will often be easy to recognise. The key question is whether the request is likely to cause distress, disruption or irritation, without any proper or justified cause'.

8.3 Issues around persistency are also implied in this definition. However, a persistent request may be entirely valid where it relates to a systematic problem. A request which some Councillors may regard as vexatious for political reasons may be entirely reasonable.

8.4 **'Discriminatory'** is defined in the Equality Act as 'A person ("A") discriminates against another person ("B") for the purposes of this Part if on the grounds of the religion or belief of B or of any other person except A (whether or not it is also A's religion or belief) A treats B less favourably than he treats or would treat others (in cases where there is no material difference in the relevant circumstances'. The definition can be applied to other forms of discrimination for reasons of sex and/or race.

8.5 **'Not reasonable'** does not mean the same as unreasonable. It is best considered as a qualifier to the word 'vexatious' i.e. a vexatious request is likely to be not reasonable and vice versa.

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject: Public and Member Questions and Statements at Meetings

1.0 Report Summary

- 1.1 This report sets out the recommendations of the Corporate Scrutiny Committee and Cabinet with regard to public and Member questions and statements at meetings, and asks the Committee whether, in light of those recommendations, it wishes to make recommendations to Council to amend the relevant provisions of the Constitution.

2.0 Recommendation

- 2.1 That the Committee consider the recommendations of the Corporate Scrutiny Committee and the Cabinet as set out in Appendix B and decide whether to make recommendations to Council to amend the relevant provisions of the Constitution.

3.0 Reasons for Recommendations

- 3.1 To give effect to the decision of the Committee of 16th April 2009.

4.0 Wards Affected

- 4.1 All Wards are affected

5.0 Local Ward Members

- 5.1 All local ward Members are affected.

6.0 Policy Implications

- 6.1 If, following any recommendations of the Committee, Council resolves to make changes to the Constitution, these changes will govern the way in which public and Member questions and speaking are dealt with at some meetings.

7.0 Financial Implications for Transition Costs

- 7.1 There are no financial implications for transitional costs.

8.0 Financial Implications 2009/10 and beyond

- 8.1 There are no financial implications for 2009/10 and beyond.

9.0 Legal Implications

- 9.1 If any changes are made to the Constitution, these must first be the subject of a recommendation of the Governance and Constitution Committee, and then a resolution of Council.

10.0 Risk Management

- 10.1 No risks appear to arise from the matters referred to in this report.

11.0 Background and Options

- 11.1 At its meeting on 16 April 2009, the Committee reviewed the arrangements regarding public and Member questions and statements at meetings following proposals to disapply those provisions of the Constitution from the meetings of planning, licensing and scrutiny bodies. The Committee decided to seek the views of the Corporate Scrutiny Committee and the Cabinet. Further details are contained in the report to the Committee on 16 April which is attached at Appendix A.
- 11.2 This matter was subsequently considered by the Corporate Scrutiny Committee on 12 June and the Cabinet on 14 July. The recommendations of both bodies are set out in Appendix B. The two sets of recommendations are identical.
- 11.3 The Committee must now consider the recommendations of the Scrutiny Committee and the Cabinet and decide whether it wishes to make any recommendations to Council.
- 11.4 The Committee will recall that at its meeting on 21 May, it agreed to recommend to Council an amendment to the Constitution to apply a Planning Public Speaking Protocol to Members' general speaking rights at Planning Board and Planning Committee meetings. This aspect of Member speaking was dealt with separately because the Strategic Planning Board had delegated authority to determine its own arrangements and was already operating them. Council was therefore asked to approve the necessary amendment to the Constitution, which it has now done. Members will note that the Corporate Scrutiny Committee and the Cabinet, in reviewing public and Member speaking rights in general, have recommended that the Planning Protocol should be retained.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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APPENDIX A

CESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of meeting: 16 April 2009
Report of: Borough Solicitor
Title: Public and Member Questions at Meetings

1.0 Purpose of Report

- 2.1 To review the arrangements for public and Member questions at Meetings.

2.0 Recommendations

- 2.1 That consideration be given to the Council's current arrangements for public and Member questions and statements at meetings and whether the views of the Cabinet and appropriate scrutiny committee should be sought before formal recommendations are made to Council.

3.0 Financial Implications for Transition Costs

- 3.1 None

4.0 Financial Implications 2009/10 and beyond

- 4.1 None

5.0 Legal Implications

- 5.1 The public and Member speaking and questions provisions are contained in the Council's Constitution. Any changes to the provisions must be agreed by the Council following a recommendation of the Governance and Constitution Committee.

6.0 Risk Assessment

- 6.1 Providing that the above requirements are adhered to, there are no risks associated with the consideration of the public and member speaking and questions provisions.

7.0 Background/Context

- 7.1 Over the last few months, Members have raised questions about the Council's arrangements for public and Member questions and statements at Council and other meetings. This report seeks to

summarise the background and context and the Constitutional provisions that currently apply.

- 7.2 At its meeting on 9 February 2009 the Governance and Constitution Committee considered a report relating to public questions/speaking at Licensing and Scrutiny Committee meetings.
- 7.3 The Licensing Committee on 14 January 2009 had requested that the provision for members of the public to ask questions/speak at the commencement of meetings of the Licensing Committee be waived.
- 7.4 The Scrutiny Committee on 21 January 2009 had requested that Governance and Constitution Committee remove the public speaking/open session from the rules of procedure for the Scrutiny Committee. The Health and Adult Social Care Scrutiny Committee made a similar resolution at its meeting on 20 January. In making these resolutions Members questioned whether it was appropriate to include public speaking/questions within the agenda of a Committee which is not itself a decision-making body.
- 7.5 On 12 January 2009, the Governance and Constitution Committee gave preliminary consideration to Member entitlement to speak and ask questions at Cabinet meetings but at its subsequent meeting on 9 February the Committee resolved that
- (a) it be recommended to Council that the public speaking rule (Rule 35 of the Council Procedure Rules) be disapplied in respect of meetings of the Licensing Committee where it is meeting in a quasi-judicial capacity, either by itself or by Sub-Committee; and
 - (b) the issue of questions and statements by Members and the public be further considered in conjunction with a report by the Borough Solicitor to include the emerging Government guidance relating to Councillor Call for Action and Petitions under the Local Government and Public Involvement in Health Act 2007.
- 7.6 The Council at its meeting on 24 February 2009 approved the adoption of the new Constitution to take effect from Vesting Day. In doing so, it resolved:
- “That the issue of questions and statements by Members and the public be further considered in accordance with the recommendation at Item 10 of the Governance and Constitution Committee meeting on 9 February but that, in the interim, and in this respect, only the currently appended Cabinet Procedure Rules 7 and 8 should apply, which provide for:
- (a) Chairmen and Spokespersons of Scrutiny Committees to attend and speak at meetings of the Cabinet on agenda items;

- (b) other Members to speak with the permission of the Leader; and
- (c) questions to be submitted by members of the public, providing 3 working days' notice is given."

7.7 A report on Councillor Call for Action and Petitions is included elsewhere on this agenda. This report addresses the issue of public questions at meetings.

8.0 Constitutional Provisions Relating to Public and Member Questions and Statements

8.1 The provisions relating to public questions at meetings of the Council, its committees and sub-committees and Cabinet may be found in Council Procedure Rules 11 and 35 and Appendix 7 to those Rules and in Cabinet Procedure Rule 8. These are summarised in the Appendix to this report.

9.0 Licensing, Planning and Scrutiny – Reasons Behind Their Requests

- 9.1 The Licensing Committee on 14 January 2009 asked that the provision for members of the public to ask questions/speak at the commencement of meetings of the Licensing Committee be waived. The Licensing Committee noted that when considering applications it was acting in a quasi-judicial nature and as such appropriate provision was already made within its own procedure rules adopted in accordance with the provisions of the relevant legislation. The procedure adopted by the Licensing Committee is summarised in the Appendix.
- 9.2 The Scrutiny Committee on 21 January 2009 asked for the removal of public speaking/open session from the rules of procedure for the Scrutiny Committee. The Health and Adult Social Care Scrutiny Committee made a similar resolution at its meeting on 20 January. In making these resolutions Members questioned whether it was appropriate to include public speaking/questions within the agenda of a Committee which is not itself a decision-making body.
- 9.3 Since consideration of these proposals, the Strategic Planning Board has now requested a similar exemption from the main public question provisions for the Board and Planning Committees on the following grounds:

Council gave the Strategic Planning Board power to adopt working protocols governing the Planning function. This specifically included a protocol regarding public speaking rights. On 4 March 2009 the Board resolved

- (i) to adopt a Public Speaking Protocol for Board and Planning Committee meetings; and

- (ii) to request Governance and Constitution Committee to consider an amendment to Procedure Rule 35 in order to waive the general provision for speaking rights at the commencement of those meetings.

The Planning Public Speaking Protocol tailors and significantly expands the general speaking rights in Procedure Rule 35, in accordance with good practice guidance issued by the Planning Officers Society. It provides for

- a wide range of eligible speakers
- minutes per group (supporters, objectors, Members, applicants and others) before the debate begins regarding each application on the agenda
- questions for clarification purposes
- overriding discretion for the Chair to extend time a clear procedure

In these circumstances, the Board felt that the existing provision for 10 minutes public speaking no longer added value to a Planning meeting and that business would be despatched more expeditiously if the tailored Protocol replaced rather than supplemented the general rule.

The Board therefore proposed that this Committee recommend to Council that the Strategic Planning Board and Planning Committees be excluded from the general arrangements for public speaking set out in Procedure Rule 35 of the Constitution in order for them to allow enhanced public speaking rights which are set out in full in a separate Planning Public Speaking Protocol.

10.0 Conclusions

- 10.1 This report sets out the provisions within the Constitution governing public and Member speaking and questions provisions at meetings. It also contains proposals for excluding those provisions from three sets of bodies, together with the rationale for those exclusions. Given the significance of these amendments, Members may wish to consider seeking the views of the Cabinet and relevant scrutiny committee before taking a final view on the matter. The views of the Licensing Committee and Strategic Planning Board have been provided on the specific issues relating to their business.

For further information:

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Background Documents: Constitution and reports to and minutes of committees referred to in the report.

BRIEF SUMMARY OF PUBLIC AND MEMBER SPEAKING/QUESTION PROVISIONS

Council Meetings – Questions by Members

1. Members may ask questions of the Mayor, Cabinet Members, Committee Chairmen, Fire/Police Authority representatives PROVIDED THAT 3 clear working days' written notice is given.
2. The Mayor may agree to take urgent questions.
3. Reasonable endeavours must be used, when responses are given, to address the matter raised.
4. Questioners may ask supplementary questions.

Council Meetings – relating to the Minutes

1. The accuracy of the minutes of the last meeting of Council may be questioned by a motion which must be proposed, seconded and voted upon.
2. The accuracy of the record of minutes of committees and decisions of the Cabinet may be questioned at Council. Any questions must be considered and determined by the committee or Cabinet at their next meeting.

All Meetings – Public Speaking and Public Questions

1. 15 minutes is allocated for public speaking at Council meetings. 10 minutes is allocated at committees, etc.
2. 5 minutes is allocated to each public speaker.
3. Members of the public may use this time to ask questions of the appropriate Cabinet Member or Chairman.

Cabinet Meetings – Public Questions

Where a member of the public wishes to ask questions of a Cabinet Member at a Cabinet meeting, 3 working days' notice must be given.

Cabinet Meetings – Member Participation

1. The chairmen and spokespersons of scrutiny committees are entitled to attend and speak on agenda items of any formal Cabinet meeting.
2. Other Members may speak with the permission of the Leader.

Licensing Committee Hearings

The Licensing Committee has adopted its own procedures for dealing with applications which include facilities for representations to be made and questions to be asked by all parties and residents.

Planning Committee Hearings

A protocol has been adopted which includes provision for Members of the Council and members of the public to speak.

Appendix B

RESOLUTION OF THE CORPORATE SCRUTINY COMMITTEE ON 12 JUNE 2009

That Governance and Constitution Committee be informed that the views of this Committee in relation to Public and member questions are as follows:

1. That the existing Planning and Licensing Protocols which override the member and public speaking and questioning provisions that apply to other committees, should be retained;
2. That the facility to allow questions by Members of the Public at meetings of Overview and Scrutiny Committees should be removed, but a period of 15 minutes be provided at the beginning of meetings to allow members of the Public to make a Statement(s) on any matter that falls within the remit of the relevant committee, subject to individual speakers being restricted to 5 minutes each;
3. That whilst acknowledging that Planning and Licensing Committees have separate arrangements in place for public involvement, in all other cases, members of the Public should provide 3 clear working days notice, in writing, if they wish to ask a question at any other decision making meeting, in order for an informed answer to be given, but they should not be required to give notice of intention to make use of public speaking provision (although as a matter of courtesy, a period of 24 hours notice should be encouraged);
4. That members of the Council should, in accordance with the current rules, be required to provide 3 clear working days notice in writing if they wish to ask a question at a full council meeting or Cabinet in order for an informed answer to be given;
5. That the existing provisions of the constitution relating to the way in which questions may be answered be preserved.

RESOLUTION OF THE CABINET ON 14 JULY 2009

That the Governance and Constitution Committee be informed that the views of the Cabinet in relation to Public and member questions are as follows:

1. That the existing Planning and Licensing Protocols which override the member and public speaking and questioning provisions that apply to other committees, should be retained;
2. That the facility to allow questions by Members of the Public at meetings of Overview and Scrutiny Committees should be removed, but a period of 15 minutes be provided at the beginning of meetings to

allow members of the Public to make a statement(s) on any matter that falls within the remit of the relevant committee, subject to individual speakers being restricted to 5 minutes each;

3. That whilst acknowledging that Planning and Licensing Committees have separate arrangements in place for public involvement, in all other cases, members of the Public should provide 3 clear working days notice, in writing, if they wish to ask a question at any other decision making meeting, in order for an informed answer to be given, but they should not be required to give notice of intention to make use of public speaking provision (although as a matter of courtesy, a period of 24 hours notice should be encouraged);
4. That members of the Council should, in accordance with the current rules, be required to provide 3 clear working days notice in writing if they wish to ask a question at a full Council meeting or Cabinet in order for an informed answer to be given;
5. That the existing provisions of the constitution relating to the way in which questions may be answered be preserved.

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 30 September 2009
Report of: Democratic Services Manager
Subject/Title: Cabinet Decision-Making Arrangements

1.0 Report Summary

- 1.1 To enable the Governance and Constitution Committee to consider proposed changes to the existing Cabinet Decision-Making arrangements and to make a recommendation to Council in order for changes to be made to the Constitution.

2.0 Recommendations

- 2.1 That the proposed changed individual Cabinet Member decision-making powers, set out in Appendix B to this report, be recommended for approval by Council and for inclusion in the Constitution.

3.0 Reasons for Recommendations

- 3.1 In order to ensure greater use of individual decision-making powers.

4.0 Wards Affected

- 4.1 All Cheshire East Council Wards are affected.

5.0 Local Ward Members

- 5.1 All Cheshire East local Ward Members are affected.

6.0 Policy Implications

- 6.1 Any changes to the Council's decision-making arrangements which are agreed by Council must be reflected in the Constitution. These will then govern the way in which the Council, its Members and officers operate.

7.0 Financial Implications for Transition Costs

- 7.1 There appear to be no financial implications for Transition Costs.

8.0 Financial Implications 2009/10 and beyond

- 8.1 There appear to be no identifiable financial implications 2009/10 and beyond.

9.0 Legal Implications

- 9.1 Any changes to the Council's decision-making arrangements must be reflected in the Constitution. Constitutional changes cannot take place until a recommendation of the Committee has been considered by Council and Council approval has been given.

10.0 Risk Management

- 10.1 No changes are proposed to be made to the Constitutional provisions relating to call-in of executive decisions, which enable individual Cabinet Member decisions to be considered by Scrutiny Committees. There would seem to be no risks associated with the proposed changes. Indeed, the changes proposed will bring further clarity for officers and Members as to the types of decision which may be made by Cabinet Members and the collective Cabinet.

11.0 Background and Options

- 11.1 Appendix A sets out the existing powers of individual Cabinet Members to make decisions within their areas of Portfolio responsibility. Further amendment is required to reduce the volume of business being transacted by full Cabinet.
- 11.2 Despite Council having agreed that individual Cabinet Members should have their own decision-making powers, the collective Cabinet is still being expected to deal with many decisions which, it would appear, should be dealt with on an individual basis. Officers are still, despite a series of training sessions, reluctant about referring decisions to be dealt with individually by portfolio holders rather than collective Cabinet. Individual Cabinet Members are reticent in using their powers and often defer to full Cabinet.
- 11.3 A further reduction in the volume of Cabinet business could be achieved by removing paragraph (d) of the existing powers as set out in Appendix A. Many decisions are "significant in terms of their effect on communities" but could readily be taken by the relevant portfolio holder.
- 11.4 It is proposed that the powers of individual Cabinet Members should be changed to reflect the provisions in Appendix B. These powers are identical to the existing powers, except it is proposed that individual Cabinet Members will not be prevented from making decisions which are "significant in terms of their effect on communities....". By removing this provision, Council would bring certainty to its executive decision-making arrangements.
- 11.4 It should be noted, however, that no changes are proposed to be made to the Council's call-in provisions which, when triggered, put executive decisions on hold and give time for Scrutiny Committees to consider whether advice should be offered to the decision-maker prior to the decision being reconsidered.
- 11.5 It is understood that Cabinet Members will also be given some assurance in the use of their individual decision-making powers by:-

(a) the opportunity to discuss the matter first at an informal Cabinet meeting;
and

(b) the scheduling of regular weekly Member decision days on Tuesdays.

13.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Appendix A

Existing powers of individual Cabinet Members

Cabinet Members may make all executive decisions in respect of their portfolio areas except:

- (a) Decisions already taken by Cabinet or an officer acting under delegated powers.
- (b) Decisions involving a departure from the Council's Budget and Policy Framework or any Cabinet or regulatory committee policy.
- (c) Decisions involving expenditure or savings of £1 million or more.
- (d) Decisions which are significant in terms of their effect on communities living or working in an area comprising two or more wards or electoral divisions in the area of the Council.
- (e) Decisions which the Leader wishes to be taken by full Cabinet.

PROVIDED THAT all such decisions shall be taken in public and that regard shall be had to the advice of the Borough Solicitor by the decision-maker in interpreting these provisions.

Appendix B

Proposed powers of individual Cabinet Members

Cabinet Members may make all executive decisions in respect of their portfolio areas except:

1. Decisions already taken by Cabinet or an officer acting under delegated powers.
2. Decisions involving a departure from the Council's Budget and Policy Framework or any Cabinet or regulatory committee policy.
3. Decisions involving expenditure or savings of £1 million or more.
4. Decisions which the Leader wishes to be taken by full Cabinet.

PROVIDED THAT all such decisions shall be taken in public and that regard shall be had to the advice of the Borough Solicitor by the decision-maker in interpreting these provisions.

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