

Audit and Governance Committee

Agenda

Date: Wednesday 11th November 2020
Time: 2.00 pm
Venue: Virtual Meeting

How to Watch the Meeting

For anybody wishing to view the meeting live please click in the link below:

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or dial in via telephone on 141 020 3321 5200 and enter Conference ID 814386167# when prompted.

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

It should be noted that Part 1 items of Cheshire East Council decision making meetings are audio recorded and the recordings are uploaded to the Council's website

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 disclosable pecuniary and non-pecuniary interests in any item on the agenda.

OFFICIAL

For requests for further information

Contact: Rachel Graves

Tel: 01270 686473

E-Mail: rachel.graves@cheshireeast.gov.uk with any apologies

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

In accordance with paragraph 2.32 of the Committee Procedural Rules and Appendix 7 to the Rules 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 body in question.

Individual members of the public may speak for up to 5 minutes but the Chairman or person presiding will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

Members of the public wishing to ask a question or make a statement at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

4. **Minutes of Previous Meeting** (Pages 5 - 10)

To approve the minutes of the meeting held on 24 September 2020 as a correct record.

5. **External Audit Findings and Action Plan 2019/20** (Pages 11 - 42)

To consider and receive the Audit Completion Report for the year ending 31st March 2020.

6. **Statement of Accounts 2019/20** (Pages 43 - 48)

To consider the Statement of Accounts 2019/20.

7. **Annual Governance Statement 2019/20** (Pages 49 - 86)

To receive and approve the proposed final Annual Governance Statement 2019/20.

8. **Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2021/22** (Pages 87 - 110)

To consider and note the draft Treasury Management Strategy and the MRP Statement for 2021/22.

9. **Covid-19 - Update on Response and Recovery** (Pages 111 - 142)

To consider the Cabinet update report on the Council's response to the Covid-19 pandemic.

10. **Quarter Two Review of the Strategic Risk Register 2020/21** (Pages 143 - 166)

To consider the outcomes of the review of the Strategic Risk Register at the end of Quarter Two.

11. **Audit and Governance Committee Composition and Structure**
(Pages 167 - 172)

To consider the future composition and structure of the Audit and Governance Committee.

12. **Maladministration Decision Notices from Local Government and Social Care Ombudsman: April - August 2020** (Pages 173 - 186)

To consider the Decision Notice issued by the Local Government and Social Care Ombudsman when their investigations have found maladministration causing injustice to complaints.

13. **Committee Work Plan** (Pages 187 - 200)

To consider the Work Plan and determine any required amendments.

14. **Waivers and Non-Adherences** (Pages 201 - 206)

To consider and note the number and reason for the WARNs approved between 1 September and 30 September 2020.

15. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1,2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 - MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

16. Waivers and Non-Adherences

To note the approved WARNs issued between 1 September and 30 September 2020.

Membership: Councillors R Bailey (Vice-Chairman), C Bulman, D Edwardes, B Evans, R Fletcher (Chairman), S Hogben, M Houston, A Kolker, M Sewart and M Simon
Independent Co-opted Members: Mr P Gardener

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 24th September, 2020 at Virtual Meeting

PRESENT

Councillor R Fletcher (Chairman)
Councillor R Bailey (Vice-Chairman)

Councillors C Bulman, D Edwardes, B Evans, S Hogben, M Houston,
A Kolker, M Sewart and M Simon

Independent Co-opted Member
Mr P Gardener

External Auditor
Mark Dalton, Mazars

Councillors in attendance
Councillors A Moran, J Rhodes and A Stott

Officers in attendance
Jane Burns, Executive Director Corporate Services
Alex Thompson, Director of Finance and Customer Services
Deborah Nickson, Acting Head of Legal
Josie Griffiths, Head of Audit and Risk
Michael Todd, Acting Internal Audit Manager
Lianne Halliday, Senior Manager Procurement
Rachel Graves, Democratic Services Officer

32 APOLOGIES FOR ABSENCE

There were no apologies for absence.

33 DECLARATIONS OF INTEREST

No declarations of interest were made.

34 PUBLIC SPEAKING TIME/OPEN SESSION

Sue Helliwell referred to the annual monitoring report and stated that would it be more transparent to have them 6 monthly and that the report should include how many questions from residents and Councillors have been declined at Full Council/Cabinet, along with the reasons for them being declined, and also asked if political statements were allowed at meetings by members and if so to ensure that a right to a reply is allowed by members. She stated that the minutes from the previous meeting were

incorrect as she has been informed that the money was a loan and that this should be in the minutes.

The acting Head of Legal responded that it was a matter for the Committee to decide what it wanted to see in the Annual Monitoring Officer's report. The Committee had considered this in March 2019 and decided upon the content and subsequent reports have been prepared on that basis. It would be for the Committee to make any amendments in consultation with the Monitoring Officer. The acting Head of Legal said that this was something that could be raised with the new Monitoring Officer, who will be joining the authority next month, and perhaps a more substantive reply on this point, in relation to the Annual Monitoring Officer's report, can be brought to the next meeting.

35 MINUTES OF PREVIOUS MEETING

Minutes 15 – Public Speaking

It was moved and seconded that the first paragraph to be amended to read:

“Sue Helliwell asked about the £20,000 that the Cheshire Neighbours Credit Union had received from the Council and asked for confirmation that it was a loan and that the money went to the most vulnerable people and not to the directors, managers, staffing costs and rental costs.”

It was reported at the meeting that the loan to the Cheshire Neighbours Credit Union, of £20,000, as of today was not due for repayment, and has not been repaid. The latest date for repayment was the 27 December 2030 under the existing agreement.

Minute 22 Draft Annual Governance Statement 2019/20

It was moved and seconded that the last sentence of paragraph 2 be amended to read “A review would be carried out to see if any operational arrangements needed to be improved and a report would be brought back to the Committee in November.”

RESOLVED:

That the minutes of the meeting held on 30 July 2020 be confirmed as a correct record subject to the amendments detailed above.

36 EXTERNAL AUDIT UPDATE REPORT

Mark Dalton of Mazars provided an update on the work being undertaken by the External Auditor in relation to the External Audit Plan.

He reported that since the last meeting work had continued remotely on the audit of the draft financial statements with planned completion of these activities in October and sign off of the audit report and VFM conclusion in November.

RESOLVED:

That the contents of the External Auditor's report be noted.

37 INTERNAL AUDIT AND COUNTER FRAUD PLAN 2020/21- PROGRESS UPDATE

Internal Audit and Counter Fraud Plan 2020/21- Progress Update

The Committee considered a report on an updated Internal Audit Plan 2020/21 due to the impact of Covid-19 on the delivery of the Plan agreed in March 2020.

The Internal Audit Team had been providing support to various services to respond to Covid-19, including the People Helping People scheme, support and guidance on providing an electronic solution to issuing weekly cash allowances to care leavers, and undertaking pre-payment checks to minimise the risk of fraudulent or ineligible claims being processed.

The Committee asked if benchmarking on the counter fraud work would be undertaken against other local authorities and were informed this would depend on the ability to access information from other council. Detailed returns on the grants were submitted to the Government and the National Fraud Initiative would be including business grants.

Assurance was also sought that no internal audit officer would be auditing areas where they had worked in response to Covid-19 and were informed that in accordance with the Internal Audit Charter if an officer had worked in an operational capacity, the officer would not be able to undertake any internal audit work in that service for a period of 2 years.

With regards to the resources in Internal Audit, the Committee was informed that whilst there were some vacancies and acting up arrangements in place, there were currently enough resources to deliver an opinion, but this could become a concern if further resources were lost. It was expected that recruitment would be taking place soon.

RESOLVED: That the Committee

- 1 approve the updated Internal Audit Plan 2020/21.
- 2 note the areas of work which the internal audit team have undertaken during recent months, including significant proactive counter fraud actions in support of the delivery of various support grants.

- 3 note the Plan will be returned as necessary back to the Audit and Governance Committee should there be any significant changes to the scope or resource available to the Internal Audit Plan.

38 ANNUAL RISK MANAGEMENT REPORT 2019/20

The Committee considered a report which provided an overview on the Council's risk management arrangements during 2019/20 and an update on the Strategic Risk Register scores as at the end of July 2020.

The Risk Management Framework had been endorsed by the Committee in March 2020 and approved by Cabinet on 9 June 2020. The Framework provided a structure to contain the risk policy statement, risk policy, strategy, appetite and maturity which were all previously separate documents which had different dates and content.

RESOLVED:

That the Annual Risk Management Report be received.

39 TREASURY MANAGEMENT ANNUAL REPORT 2019/20

The Committee considered the Treasury Management Annual Report 2019/20.

The report detailed the Council's capital expenditure and financing during the year and the impact of this on the Council's underlying capital financing requirements. The report identified how the Council had borrowed in relation to the capital financing requirement and also set out investment and debt activity. Cabinet, at its meeting on 8 September 2020 had considered the Treasury Management Annual Report 2019/20.

It was noted that an error had been made in the agenda with the covering report being included twice instead of the Treasury Management Annual Report 2019/20. The Annual Report had been circulated to the Committee separately and it was requested that if the Committee members had any questions on the Annual Report they should be sent to the Director of Finance and Customer Services.

RESOLVED:

That the Treasury Management Annual Report for 2018/19 be noted.

40 COMMITTEE WORK PLAN

The Committee considered the Work Plan for 2020/21.

Paragraph 5.5. of the report set out the changes to the Work Plan since it was last considered by the Committee.

It was requested that a standing item relating to the financial element of Covid-19 response and recovery be added to the Work Plan.

It was reported that the Executive Director of Corporate Services had arranged a virtual meeting for the Vice Chairman with the Head of Customer Services, who had explained the five themes in relation to improving the customer experience and consistency and that it may be helpful for the Committee members to receive a summary of this as the Customer receives information on complaints.

Reference was made to a training session for all members of the Council on what that the role of the Audit and Governance Committee was. The Committee was informed that it was proposed to record a session and make it available to all Members.

RESOLVED:

That the Work Plan be approved, and the Plan be brought back to the Committee throughout the year for further development and approval.

41 WAIVERS AND NON-ADHERENCES

The Committee considered a report on the number and reasons for Waivers and Non-Adherences (WARNs), which had been approved between 1 July and 31 August 2020.

A total of 8 Waivers and 1 Non-adherence had been issued during this period and that a total of 20 WARNs had been issued to date in 2020/21.

The number of WARNs in 2020/21 had increased due to the Covid-19 outbreak. Currently 10 out of the 20 WARNs completed were due to the outbreak and the Council needing to respond quickly to ensure goods and services were provided.

RESOLVED:

That the Committee note the number and reasons for the 9 further WARNs approved between 1 July and 31 August 2020.

42 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED:

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)(4) of the Local Government Act 1972 as amended on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 3 of the Schedule 12A of the Local Government Act 1972 and the public interest would not be served in publishing the information.

43 WAIVERS AND NON-ADHERENCES

The Committee considered the WARNs.

RESOLVED:

That the WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.04 pm

Councillor R Fletcher (Chairman)



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: External Audit Findings and Action Plan 2019/20

Senior Officer: Alex Thompson, Director of Finance & Customer Services

1. Report Summary

- 1.1. The Audit Completion Report will be presented to the Committee by Mazars, the Council's external auditors. The report, appended to this paper summarises the findings from the 2019/20 Audit. It identifies the key issues that have been considered by Mazars before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

2. Recommendations

- 2.1. That members receive the Audit Completion Report for the year ending 31st March 2020.

3. Reasons for Recommendations

- 3.1. The appointed auditors are required to report to those charged with governance. The Audit Completion Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2019/20.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. The auditors are responsible for giving an opinion on:
 - Whether the accounts give a true and fair view of the financial position of the the Council and the Group as at 31st March 2020 and

of the Council's and the Group's expenditure and income for the year then ended;

- Whether they have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20;
- Whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

5.2. The findings in relation to these areas are set out in Sections 3 – 6 of the Audit Completion Report attached as Appendix A.

5.3. As the Council's appointed auditors, representatives of Mazars will attend the Committee to report their findings directly to Members.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. There are no legal implications identified.

6.2. Finance Implications

6.2.1. As covered in the report.

6.3. Policy Implications

6.3.1. There are no policy implications identified.

6.4. Equality Implications

6.4.1. There are no equality implications identified.

6.5. Human Resources Implications

6.5.1. There are no human resource implications identified.

6.6. Risk Management Implications

6.6.1. The audit has been conducted in accordance with International Standards of Auditing (UK) and means the auditors focus on audit risks that have been assessed as resulting in a higher risk of material misstatement.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change.

7. Ward Members Affected

7.1. Not applicable.

8. Consultation & Engagement

8.1. In accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 the accounts were made available for public inspection between 3 August to 11 September 2020.

9. Access to Information

9.1. The full report provided by Mazars is appended to this covering report.

10. Contact Information

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

Name: Joanne Wilcox

Job Title: Head of Financial Management

Email: Joanne.wilcox@cheshireeast.gov.uk

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Audit Completion Report Draft to Audit & Governance Committee

Cheshire East Council
Year ending 31 March 2020

CONTENTS

1. Executive summary
2. Audit Approach
3. Significant findings
4. Internal control recommendations
5. Summary of misstatements
6. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor's report

Appendix C – Independence

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

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

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Audit & Governance Committee
Cheshire East Council
Westfields
Sandbach
CW11 1HZ

2 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented to the Audit & Governance Committee on 5 December 2019. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the dates for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised timetable we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07795 506776.

Yours faithfully

Mark Dalton
Mazars LLP

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VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Cheshire East Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit & Governance Committee meeting on 11 November 2020.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control;
- Valuation of Property, Plant & Equipment;
- Valuation of Defined Benefit Pension Liability;
- Group Financial Statements consolidation process; and
- Calculation of the Minimum Revenue Provision.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

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

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

The timetable for the Council's WGA submission has not yet been published by MHCLG, and NAO have not yet issued auditors with their group instructions. We will complete the required work to the MHCLG timetable as soon as possible once these details have been clarified.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any questions of objections relating to 2019/20.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and value for money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Pension Liability	●	Receipt of requested assurances from the auditor of Cheshire Pension Fund. Completion of final elements of audit work on the Pension Fund liability following receipt of these assurances.
Property, Plant & Equipment	●	Completion of the audit work relating to the valuation of the Council's Property, Plant & Equipment and Investment Property by the Council's external valuer.
Cash & cash equivalents	●	Receipt of confirmation letter from the bank for the balances relating to one school.
Going concern evaluation	●	Receipt of the Council's assessment of going concern. Completion of the final elements of audit work on receipt of this assessment.
Events after the balance sheet date	●	Final consideration of events after the balance sheet date at the conclusion of the audit.
Review and closure procedures	●	Completion of audit closure procedures, including: <ul style="list-style-type: none"> • review of final Annual Governance Statement; • review of the final version of the financial statements; and • final manager and partner review.
Whole of Government Accounts	●	As highlighted on page 3, the NAO has not yet issued auditors with group instructions or confirmed the timetable for audit reporting. We will complete the required work to the agreed timetable as soon as possible once these details have been clarified.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit & Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Audit Adjustments and Internal Control Recommendations

Section 4 sets out the internal control recommendation that we have made.

Section 5 outlines the audit adjustments noted as part of our audit as at the time of issuing this report. If any additional adjustments are noted on completion of the outstanding work, these will be reported to the Audit & Governance Committee in a follow-up letter.

2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in December 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Overview of our group audit approach

The Council's Group financial statements for 2019/20 includes six wholly owned subsidiary companies: ANSA Environmental Services Ltd; Civicance Ltd; Engine of the North Ltd; Orbitas Bereavement Services Ltd; The Skills & Growth Company Ltd; and Transport Service Solutions Ltd, although three of these by end of the financial year were brought back in house by the Council.

Our Audit Strategy Memorandum provided details of our intended group audit approach. We confirm that there have been no changes to our approach outlined in that Memorandum, and in particular we have not considered any subsidiary to be a significant component and consequently we have not obtained specific assurance from the component auditors of the six companies.

Materiality

We set materiality at the planning stage of the audit at £14m for the Group financial statements and £13.8m for the Council financial statements, using a benchmark of around 2% of gross expenditure at the Surplus/Deficit at Net Cost of Services level.

Our final assessment of materiality, based on the final 2019/20 financial statements and qualitative factors is unchanged from that at the planning stage for both the Group and Council financial statements. Our final materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit & Governance Committee, at £420k for the Group and £414k for the Council based on 3% of overall materiality.

Materiality element	Group materiality	Council single-entity materiality
Overall materiality	£14,000,000	£13,800,000
Performance materiality	£10,500,000	£10,350,000
Trivial threshold for reporting to Audit & Governance Committee	£420,000	£414,000

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Group or the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that adjustments of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following items of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 20)	£5,000 *
Related Party Transactions (Note 31)	£50,000

* Reflecting movement from one salary band to another

3. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum. In addition we confirm that through obtaining a detailed understanding of the fees and charges income sources, we concluded we can rebut the presumed risk of revenue recognition for all areas of income. Our audit approach did however incorporate testing from payments and receipts around the year-end to provide assurance that there are no material unrecorded items of income and expenditure in the 2019/20 accounts.

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

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Property, plant and equipment valuation

Description of the risk

The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.

The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.

In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.

The risk has increased in 2019/20 as a result of the uncertainty arising from COVID-19. The Royal Institution of Chartered Surveyors (RICS) has issued a Valuation Practice Alert (VPA), which provides guidance on the use of material uncertainty disclosures in valuation reports, and the Council's external valuer included such a disclosure in their report.

How we addressed this risk

In relation to the assets which had been revalued during 2019/20 we assessed the Council's valuer's qualifications, objectivity and independence to carry out such valuations, and reviewed the valuation methodology used, including testing the underlying data and assumptions. We compared the valuation output with market intelligence provided by Gerald Eve, consulting valuers engaged by the National Audit Office, to obtain assurance that the valuations are in line with market expectations.

We reviewed the approach that the Council adopted to address the risk that assets not subject to valuation in 2019/20 are materially misstated and we considered the robustness of that approach in light of the valuation information reported by the Council's valuers.

In addition, we considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

We also considered the potential impact of the Covid-19 pandemic on the Council's asset valuations and the adequacy of the disclosures in the financial statements, specifically those relating to the material uncertainty disclosed by your valuer to their valuations.

Audit conclusion

As set out on page 4, our work on the valuation of Property, Plant and Equipment is still to be completed.

The Council's valuer has followed RICS guidance and their valuation report discloses that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land & buildings and investment properties at 31 March 2020. The Council have included appropriate disclosures of this in the Statement of Accounts. We intend to include reference to this disclosure as an 'emphasis of matter' in our audit report as highlighted by our draft report at Appendix B. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

Our other work on the Property, Plant & Equipment balance and disclosures has identified some non-material disclosure adjustments as highlighted in section 5 of this report. The Council has amended the financial statements for all these adjustments.

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Description of the risk

Defined benefit liability valuation

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Cheshire Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

How we addressed this risk

As part of our work we reviewed the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We also evaluated the competency, objectivity and independence of the scheme Actuary, Hymans Robertson.

We reviewed the appropriateness of the methodology applied in the valuation of the liability by Hymans Robertson, and the key assumptions included within the valuation, comparing them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We reviewed the methodology applied. We considered the Council's response to the key risks that emerged through the audit relating to legal cases that impact on the Local Government Pension Scheme.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2018/19 and 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2018/19 and 2019/20 was likely to be overstating the pension fund liability but not materially.

A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided evidence to support their assessment of the impact on the Council's liability. They conclude that the impact is not likely to be material.

In both issues, we engaged with the Council's actuary and reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability.

Audit conclusion

As set out on page 4, our work on the valuation of the Council's Pension Liability is still to be completed, but we have concluded that the impact of the 'McCloud' and 'Goodwin' cases on the Council's pension fund liability is not likely to be material and there are no issues to report from that element of our work.

Our other work on the Pension disclosures has identified some non-material disclosure adjustments. The Council has amended the financial statements for all the adjustments.

3. SIGNIFICANT FINDINGS (CONTINUED)

**Management judgement
Group Financial Statements consolidation process**

Description of the management judgement

The Council has made judgements around which of its group entities it consolidates into its Group Financial Statements, and how it consolidates the transactions and balances into the Group.

How we addressed this area of management judgement

We completed our audit of the group entities as set out on page 5. We complemented this work with our work over the Council's Group consolidation process. In particular we reviewed the Council's judgements relating to the entities that are consolidated into the Group financial statements, and we reviewed and tested the method of consolidation of those group entities into the Group financial statements.

Audit conclusion

Other than some non-material adjustments to the Group financial statements there are no significant matters arising from our audit of the Group Financial Statements consolidation process.

**Management judgement
Private Finance Initiative schemes**

Description of the management judgement

The Council has no new PFI schemes in 2019/20, and continues to make judgements that result in the Council accounting for the PFI assets and liabilities in its financial statements.

How our audit addressed this area of management judgement

We considered the continued accounting treatment of the PFI scheme assets and liabilities as being in the Council's financial statements. In addition we considered the Council's accounting treatment of the impact of the fire which destroyed one of the Council's PFI buildings.

Audit conclusion

There are no matters arising from our work on the Council's Private Finance Initiative schemes.

3. SIGNIFICANT FINDINGS (CONTINUED)

**Management
judgement
Accounting for
Schools**

Description of the management judgement

The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation.

How we addressed this area of management judgement

We considered the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code of Practice on Local Authority Accounting and other sector guidance.

Audit conclusion

There are no matters arising from our work on the Council's accounting for schools

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). Our final audit procedures will consider the appropriateness of the use of the going concern assumption, and we have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 30 July 2020, well in advance of the revised statutory deadline and were of a good quality. Good quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Our audit relationship with the Council has continued to be excellent, and despite the very significant challenges on ourselves and the Council's finance officers from the impact of the Covid-19 pandemic, the audit progress has been extremely positive. In particular Council finance staff have been very helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

During our audit we discussed a number of matters with management. The most significant of those matters are reported below:

- The impact of Covid-19 on the valuation of land & buildings and investment properties and in particular the Council's disclosure of the material uncertainty relating to its assets and its share of those within the Cheshire Pension Fund.
- The Council's actuary, Hymans Robertson's consideration of the impact of past legal cases on the Council's pension liability, details of which are set out earlier in this section.
- The Council's application of accounting standard IFRS9 on its treatment of financial assets disposed of in the year.

Our resolution of these considerations have led to some disclosure amendments to the draft financial statements as outlined in section 5.

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant matters discussed with management (continued)

The impact of the Covid-19 pandemic has had a significant impact on the Council, not only in relation to normal operating practices and service delivery, but also in terms of additional requirements for the distribution of business grants and rate relief. Whilst the financial impact on the Council is much more significant in the 2020/21 and future financial years, we have specifically considered the potential impact on the significant risks in relation to property valuations and the pension liability valuation, as outlined below and earlier in this report.

In addition our testing of income and expenditure around the year end, in order to conclude that they are recognised in the correct financial year has also considered the timing of the additional income the Council received from central government between March and July including the business support funds which flowed through the Council. We have not identified any material issues in relation to this testing, subject to the completion of the work outlined on page 4.

The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities included as set out earlier in this section:

- The proposed remedy for the 'McCloud' case which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020; and
- The 'Goodwin' case, which emerged in 2019/20.

Based on the information provided by the Council's actuary, management do not expect the impact of either of these cases to be material and have not amended the draft financial statements for the impact of these issues.

In addition, as a result of independent quality reviews of audit suppliers' work, in particular by the Financial Reporting Council, we have increased the level of work we carry out on defined benefit pension schemes and the valuation of property, plant and equipment. This and other issues emerging during the year have had an impact on the level of work and time required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

Other than the matters reported above, we did not encounter any significant difficulties and we have had the full co-operation of management throughout our audit, building on the excellent relationships we established last year in our first year of our audit.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have not received any questions or objections during our audit.

4. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

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

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

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

4. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other recommendations on internal control – Level 3

Issue 1

Description of deficiency

From our testing of IT controls we identified that there are no regular reviews of IT user access of active accounts.

Potential effects

Not reviewing user accounts on a regular basis could expose the Council to the risk that the user account is no longer valid (i.e. that the user account should not be active), or that the access rights granted to the user account are no longer aligned with the user's current role and functions.

Recommendation

The Council should establish a regular review of the IT user access of active accounts.

Management response

The Council will establish a periodic review of the user access of active accounts, in addition to the targeted reviews which already take place, to ensure compliance with the ICT Access Policy.

Follow up of previous internal control points

Our audit work in 2019/20 confirmed that the Council had implemented all the internal control recommendations from 2018/19.



5. SUMMARY OF AUDIT ADJUSTMENTS

We set out below the items identified for adjustment during the course of the audit, above the level of trivial threshold of £420k for the Group financial statements and £414k for the Council financial statements.

On this page we report the adjustments that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not intend to adjust.

On the following page we report the audit adjustments for which the draft financial statements have been adjusted by management during the course of the audit.

Unadjusted audit misstatements 2019/20

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Short Term Creditors Cr: Gross expenditure		623	623	

Our testing identified two items for which the Council had included system-generated accruals but which were not supported by the detailed supporting evidence. The value of the errors totalled only £34,600 but In applying our audit testing methodology we have extrapolated the errors over the remaining untested population to estimate the potential error. This concluded that the estimated error was £623,000 as above. As this is well below materiality and is an estimated not an actual error, the Council have not adjusted the financial statements.

2 Dr: Other Operating Expenditure Cr: Other Comprehensive Expenditure	1,332	1,332
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When the Council sold its shares in the Manchester Science Partnership during the year, it included £1.3m relating to the previously recognised gain on the fair value of this shareholding, in Other Operating Expenditure. The complex technical accounting requirements set out in CIPFA's guidance on applying IFRS9 indicate that this treatment is not correct and that the previously recognised gain should not be recycled through the Comprehensive Income & Expenditure Statement. This is a technical accounting adjustment which does not impact on the net assets of the Council. As this is well below materiality the Council have not adjusted the financial statements.

3 Dr: Other Operating Expenditure Cr: Financing & Investment Expenditure	6,861	6,861
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When a school converts to an academy school and leaves the Council's control the Council accounts for the disposal of the school land and buildings by recognising the loss on disposal in its Comprehensive Income & Expenditure Statement. The loss has been categorised as Financing and Investment Expenditure but should have been categorised as Other Operating Expenditure. This does not impact on the results for the year or the net assets of the Council. As this is well below materiality the Council have not adjusted the financial statements.

5. SUMMARY OF AUDIT ADJUSTMENTS (CONTINUED)

Unadjusted audit misstatements 2019/20

In addition to the misstatements identified on the previous page, there are two cases impacting on the valuation of the Defined Benefit Pension Liability where subsequent to the draft accounts being produced more accurate information became available which means that the Council's liability is not based on the most up to date information. The Council have, in consultation with their actuary, concluded that the liability is not materially inaccurate, and they have consequently not obtained an updated actuarial report to provide an updated liability estimate using the most up to date information. We have highlighted the background to the 'McCloud' case proposed remedy and the 'Goodwin' case on page 8, and we have concluded that the estimate of the Pension Liability is not materially misstated.

Adjusted audit misstatements 2019/20

From our work completed to date the only misstatements identified relate to narrative and disclosure errors and there is no impact on the reported financial results in the main financial statements. The key disclosure adjustments made by management are set out below.

Disclosure adjustments

The Council has made a number of amendments to the disclosures in the financial statements.

Among these adjustments were contextual or presentational adjustments made to:

- The reclassification of Property, Plant & Equipment in Note 8;
- The disclosures relating to Investment Properties in Note 9;
- The Senior Officer salaries in Note 22 to separately disclose bonuses paid;
- The termination benefits in Note 23 to include all relevant termination benefits;
- The disclosures in some tables in the Pension Liability in Note 28;
- The disclosures relating to the Council's operating leases in Note 30; and
- The disclosure of related party transactions in Note 32.

6. VALUE FOR MONEY CONCLUSION

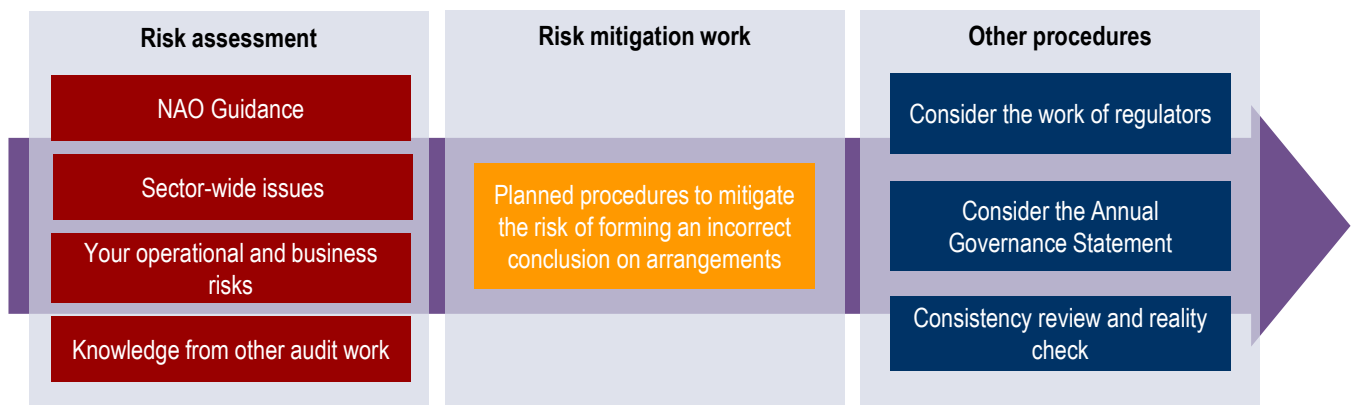
Our audit approach

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we have undertaken is provided below:



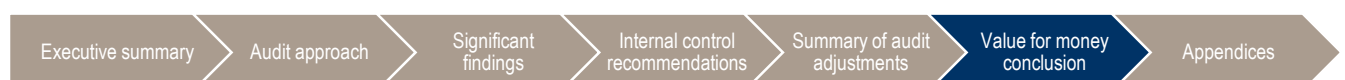
Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our value for money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant audit risk relating to the Council's arrangements for delivering financial sustainability.

The work we carried out in relation to the significant risk is outlined overleaf.

Our overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified conclusion for the 2019/20 financial year. We have however included commentary overleaf relating to the increased pressure on the Council's arrangements as a result of the increased challenges on delivering the financial strategy over the medium term.



6. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant audit risks

Risk	Work undertaken and findings	Conclusion
Financial Sustainability	Work undertaken	
<p>The Council's medium term financial strategy for the period 2016/17 to 2019/20 set out the financial challenges it faces. The mid year reporting for 2019/20 indicated that the Council was projecting to overspend this year's budget by £7.5m, placing further pressure on service delivery and increasing the use of reserves to support the revenue expenditure.</p> <p>The continuing challenges the Council faces are not new and are not unique to Cheshire East Council. The challenges do, however, present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience. Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans. In addition, although the financial impact of Covid-19 on the Council was not significant in 2019/20 we have considered the Council's approach to understanding and reporting the impact around the end of the financial year.</p> <p>Findings</p> <p>Based on the work carried out we have established that:</p> <ul style="list-style-type: none"> • The Council has a robust budget setting process in place for 2019/20 and 2020/21. • The monitoring through the year is timely and detailed and enables the Council to manage its financial position through the year accurately. • There are overspends in some areas in 2019/20, but overall the Council has maintained good control of its budgets. • Overall the budget overspend is not significant, and the use of earmarked reserves in 2019/20 is not significantly more than budgeted. • The level of overall earmarked reserves provides some flexibility for the Council to deliver financial sustainability in the medium term. 	<p>We conclude that for 2019/20 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p> <p>However, the size and scale of the financial challenges in the medium term have been significantly impacted by Covid-19 and this places significant extra pressure on the Council's arrangements in 2020/21 and future years.</p> <p>CIPFA's Financial Management Code published in 2019 sets out for the first time, the standards of financial management for local authorities. These standards cover a range of areas including the responsibilities for financial management and the governance arrangements. The Code is designed to ensure that Councils achieve the highest standards of financial management, integrating this with strategic development and risk management.</p> <p>The significant challenges to deliver financial sustainability over the medium term raises the importance of having in place effective financial management arrangements which are delivered through a partnership of the section 151 officer, the leadership team, cabinet and the Council.</p>

To be provided to us on client headed note paper

[Client address]

[Date]

Dear [Name]

Cheshire East Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Cheshire East Council ('the Council') and its Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

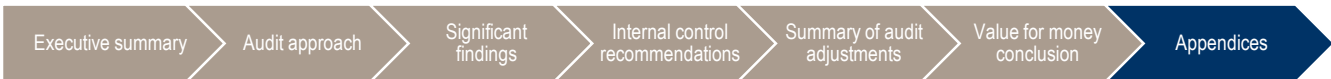
Accounting policies

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

Accounting estimates, including those measured at fair value

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

[continued]



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

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

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

Related party transactions

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

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

Future commitments

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

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Alex Thompson
Director of Finance & Customer Services

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

Report on the financial statements

Opinion

We have audited the financial statements of Cheshire East Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2020 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

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

Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of land and buildings

We draw attention to note 37 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's land and buildings and the valuation of the Council's share of Cheshire Pension Fund's property assets. As disclosed in note 37 of the financial statements, the Council's and the Pension Fund's valuers included a 'material valuation uncertainty' declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence upon which to base their judgements. Our opinion is not modified in respect of this matter.

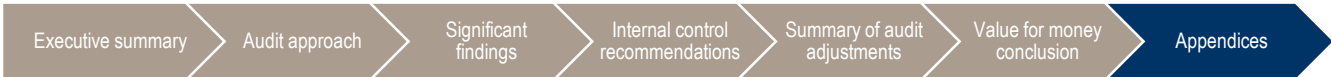
Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Customer Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance & Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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



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

We have nothing to report in this regard.

Responsibilities of the Director of Finance & Customer Services for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Director of Finance & Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Finance & Customer Services is also responsible for such internal control as the Director of Finance & Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance & Customer Services is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance & Customer Services is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

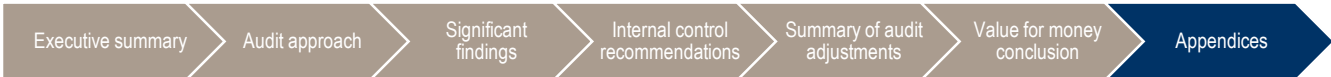
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

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

We have nothing to report in these respects.



Conclusion on Cheshire East Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Cheshire East Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

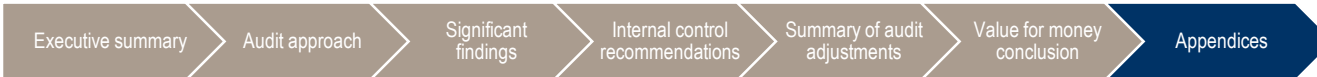
The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

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



Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

In addition, we cannot formally conclude the audit and issue an audit certificate until the Council's previous auditors have completed their consideration of matters brought to their attention in 2015/16. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mark Dalton
For and on behalf of Mazars LLP
One St Peter's Square
Manchester
M2 3DE
Insert Date

Auditor independence

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

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent. In particular there are no independence threats from our non-audit work disclosed below.

We also confirm that we have received confirmation from our external experts regarding their independence.

CONTACT

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Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: Statement of Accounts 2019/20

Senior Officer: Alex Thompson, Director of Finance & Customer Services

1. Report Summary

- 1.1. The 2019/20 Statement of Accounts provide information on the financial assets and transactions of the Cheshire East Group for the period 1st April 2019 to 31st March 2020 and comparative data for the preceding year. The Group consists of Cheshire East Council and the companies that are either wholly or partly owned by the Council.
- 1.2. The draft Statement of Accounts was prepared and submitted for external audit on 31st July 2020. The external audit of these Accounts is now complete and the external auditors, Mazars LLP, anticipate providing an unqualified opinion.

2. Recommendations

- 2.1. That the changes to the draft Accounts, in accordance with the Audit Completion Report, be noted.
- 2.2. That the Chairman of Audit and Governance Committee be given delegated authority to sign off the final Accounts on behalf of the Committee.

3. Reasons for Recommendations

- 3.1. To ensure compliance with the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

4. Other Options Considered

- 4.1. Not applicable.

5. Background

- 5.1. The amendments reported in Section 5 of the Audit Completion Report have been reflected in the final Statement of Accounts.
- 5.2. The summary statements for the Group are provided in this report.
- 5.3. Group Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

Summarised Comprehensive Income and Expenditure Statement	2019-20			2018-19
	Spend £000	Income £000	Total £000	Total £000
Cost of Services	702,253	(347,388)	354,865	323,470
Other Operating Income & Expenditure	11,219	(3,099)	8,120	11,742
Financing and Invt Income and Expenditure	32,545	(3,993)	28,552	42,205
Taxation and Non-Specific Grant Income		(365,502)	(365,502)	(359,268)
(Surplus)/Deficit on Provision of Services	746,017	(719,982)	26,035	18,149
Tax Expenses	43		43	19
(Surplus)/Deficit of the Group	746,060	(719,982)	26,078	18,168
Surplus on revaluation of non-current assets			(30,623)	(10,212)
Surplus on revaluation of financial assets			5,315	(2,383)
Remeasurements of the net defined pensions benefit liability			(181,644)	86,911
Total			(180,874)	92,484

5.4. Group Movement in Reserves Statement

This statement shows the movement in year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce taxation) and other 'unusable' reserves.

Summarised Movement in Reserves Statement	General Fund £000	Earmarked Reserves £000	Other Usable Reserves £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiary Reserves £000	Total Reserves £000
Opening Balance 1/4/19	10,316	51,254	50,209	111,779	136,686	993	249,458
Surplus / (Deficit) of the Group	(26,177)			(26,177)		99	(26,078)
Other Expenditure and Income					206,952		206,952
Accounting Adjustments	20,366		(19)	20,347	(20,347)		0
Transfer to Earmarked Reserves	5,811	(5,811)					0
Closing Balance 31/3/20	10,316	45,443	50,190	105,949	323,291	1,092	430,332
Movement							(180,874)

5.5. Group Balance Sheet

This statement shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

Summarised Balance Sheet	31 March 2020 £000	31 March 2019 £000	Change £000
Property, Plant & Equipment	1,014,563	962,151	52,412
Investment Property	30,768	6,706	24,062
Other Non-Current Assets	1,209	1,198	11
Long Term Investments and Debtors	36,256	30,550	5,706
Long Term Assets	1,082,796	1,000,605	82,191
Short Term Investments	214	4,244	(4,030)
Debtors	71,421	58,299	13,122
Cash & Cash Equivalents	33,743	18,579	15,164
Other Current Assets	3,820	929	2,891
Current Assets	109,198	82,051	27,147
Creditors	(127,129)	(102,209)	(24,920)
Short Term Borrowing	(117,325)	(56,535)	(60,790)
Other Current Liabilities	(11,473)	(9,397)	(2,076)
Current Liabilities	(255,927)	(168,141)	(87,786)
Provisions	(4,899)	(4,873)	(26)
Long Term Borrowing	(88,404)	(104,593)	16,189
Net Pension Liability	(355,605)	(497,107)	141,502
Other Long Term Liabilities	(56,827)	(58,484)	1,657
Long Term Liabilities	(505,735)	(665,057)	159,322
Net Assets	430,332	249,458	180,874
<u>Usable Reserves</u>			
Capital Receipts Reserve	3,000	3,000	0
Capital Grants Unapplied	47,190	47,209	(19)
Schools Reserves & Balances	4,565	5,557	(992)
Earmarked Reserves	40,878	45,697	(4,819)
General Fund Reserve	10,316	10,316	0
Profit and Loss Account	1,092	993	99
Total Usable Reserves	107,041	112,772	(5,731)
<u>Unusable Reserves</u>			
Revaluation Reserve	232,177	216,105	16,072
Capital Adjustment Account	448,605	430,051	18,554
Pensions Reserve	(355,605)	(515,149)	159,544
Other Unusable Reserves	(1,886)	5,679	(7,565)
Total Unusable Reserves	323,291	136,686	186,605
Total Reserves	430,332	249,458	180,874

- 5.6. The final audited version of the Statement of Accounts will be published on the Cheshire East website in accordance with the statutory deadline of 30th November 2020 following receipt of the necessary approvals.

6. Implications of the Recommendations

6.1. Legal Implications

6.1.1. The Statement of Accounts has been completed in accordance with the revised statutory deadline of 30th November 2020 as set out in the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020.

6.2. Finance Implications

6.2.1. As covered in the report.

6.3. Policy Implications

6.3.1. There are no policy implications identified.

6.4. Equality Implications

6.4.1. There are no equality implications identified.

6.5. Human Resources Implications

6.5.1. There are no human resource implications identified.

6.6. Risk Management Implications

6.6.1. 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. Failure to do so could result in a qualification of the accounts which may lead to further audit costs in future as well as an adverse impact on the Council's reputation.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for climate change.

7. Ward Members Affected

7.1. Not applicable.

8. Consultation & Engagement

8.1. In accordance with Regulation 15(2) (b) of the Accounts and Audit Regulations 2015 and the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 the accounts were made available for public inspection between 3 August to 11 September 2020.

9. Access to Information

9.1. The Statement of Accounts 2019/20 will be made available on the Cheshire East website.

10. Contact Information

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

Name: Joanne Wilcox

Job Title: Head of Financial Management

Email: Joanne.wilcox@cheshireeast.gov.uk



Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: Annual Governance Statement (AGS) 2019/20

Senior Officer: Jane Burns, Executive Director of Corporate Services

1. Report Summary

- 1.1. The purpose of this report is for the Committee to receive and approve the proposed final Annual Governance Statement 2019/20 for signature by the Leader of the Council and the Chief Executive. Once approved the AGS will accompany the Statement of Accounts and be published on the Council's website.
- 1.2. The Council's assessment of its governance arrangements for 2019/20 has recognised one additional significant governance issue as the challenge to Council governance arising from Covid-19. It also summarises the progress made across the Council in managing issues identified in previous Statements. The proposed final statement for 2019/20 is provided in Appendix 1.

2. Recommendation

- 2.1. That the Committee approves the Annual Governance Statement 2019/20.

3. Reasons for Recommendation

- 3.1. In accordance with the Accounts and Audit Regulations 2015, the Annual Governance statement should be approved by Members of the Council meeting, or by a Committee, at the same time as the Statement of Accounts is approved and no later than 31st July. The Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.
- 3.2. The timescales for approval of the AGS and Statement of Accounts have changed in recognition of the impact of the pandemic via The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. This legislation

amended the timescales for the publication of the draft and final statements as follows.

3.2.1. Publication of draft statements (Accounts and AGS) moves from 31st May to 31st August 2020. Audit and Governance Committee received the draft statements at their meeting on 30th July 2020.

3.2.2. Publication of final statements (Accounts and AGS) moves from 30th July to 30th November 2020.

4. Other Options Considered

4.1. Not applicable.

5. Background

5.1. The Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015.

5.2. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix 1 are the results of that review

5.3. The draft AGS was published on the Council's website after the Audit and Governance Committee on 30th July 2020. A small number of changes have been made to that draft document, for example, to reflect additional meetings which have occurred since the draft was published. Although the AGS covers 2019/20, it needs to be current to the time of publication and approval, and as such the Council's response to Covid is referred to throughout the AGS and has been updated where needed in preparing the Final.

5.4. Updates on items recognised in previous Annual Governance Statements are included in Section 7. These have been further updated in preparing the final Statement. Section 8 include one new item being recognised as a "Significant Governance Issue" for the Council; the challenge to Council governance arising from Covid-19 is included here. No additional items have been included as significant governance issues in updating the AGS from draft to proposed final following the completion of assurance exercises co-ordinated by Internal Audit and reviewed by the Executive Directors.

- 5.5. A workshop for Members regarding the Annual Governance Statement and the Statement of Accounts has been held.
- 5.6. Once approved and signed, the AGS will be published on the Council's website, along with the Statement of Accounts, for members of the public, Members, Officers and other stakeholders to view. Further progress reports on items recognised in the Annual Governance Statement will be provided to the Audit and Governance Committee as part of its work programme.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Production of the Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit England Regulations 2015.
- 6.1.2. The preparation and publication of the draft Annual Governance Statement has been carried out in accordance with the guidance produced by the Chartered Institute of Public Finance (CIPFA): "Delivering Good Governance in Local Government (2016)".
- 6.1.3. The timescales for approval of the AGS and Statement of Accounts have changed in recognition of the impact of the pandemic via The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. The draft and final Statements are scheduled to meet the updated deadlines.

6.2. Finance Implications

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

6.3. Policy Implications

- 6.3.1. There are no specific policy implications.

6.4. Equality Implications

- 6.4.1. There are no specific equality implications.

6.5. Human Resources Implications

- 6.5.1. There are no specific Human Resources implications.

6.6. Risk Management Implications

- 6.7. The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit England Regulations 2015 and updated by The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020. Failure to do so could result in non-compliance with the requirements of the Regulations

6.8. Rural Communities Implications

- 6.8.1. There are no direct implications for rural communities.

6.9. Implications for Children & Young People/Cared for Children

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

6.10. Public Health Implications

- 6.10.1. There are no direct implications for public health.

6.11. Climate Change Implications

- 6.11.1. There are no direct implications for climate change.

7. Ward Members Affected

- 7.1. Not applicable

8. Consultation & Engagement

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

9. Access to Information

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

10. Contact Information

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

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

Annual Governance Statement 2019/20

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1. Executive Summary and Approval

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

The Council's framework of risk management, control and governance is assessed as adequate for 2019/20

- 1.4. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements, to the best of our knowledge, continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. The Annual Governance Statement is required to reflect the arrangements in place for 2019/20 and to the time of the AGS being approved. The impact of Covid-19 on the Council's governance arrangements is therefore included throughout the Statement.
- 1.6. To date, our assessment of the effectiveness of our governance arrangements for 2019/20 has identified the challenge of responding to Covid-19, and this is described in Section 8. The Council has recognised several significant governance issues in previous Statements; progress updates on these items are described in Section 7.
- 1.7. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Dr Lorraine O'Donnell Chief Executive	Cllr Sam Corcoran Leader

2. Introduction

2.1. The Accounts and Audit Regulations 2015 require that:

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

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

3. Scope of Responsibility

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

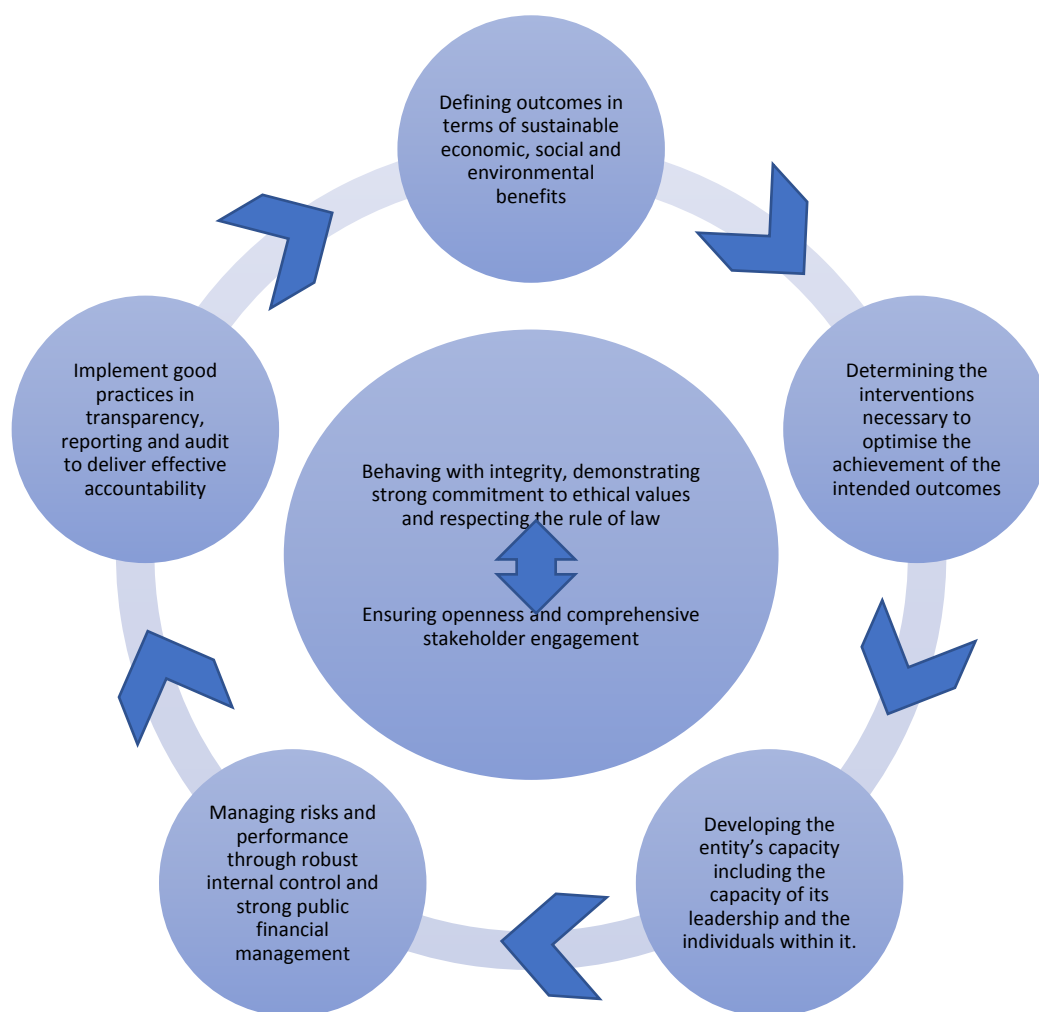
3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.

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

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

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

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



- 3.4. The annual review of effectiveness has been carried out against the Code of Corporate Governance. The draft AGS was published in July 2020 and has been further reviewed and updated as necessary to ensure this Statement remains current for when the Audit and Governance Committee considers it as final in November 2020.
- 3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and the Chief Executive. It will then be published as Final alongside the Statement of Accounts.

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

4. The Purpose of the Governance Framework

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

5. The Governance Framework

- 5.1. The Council's Code of Corporate Governance includes examples of how the Council demonstrates the principles in practice and operation. Therefore, to minimise duplication, it is only supplementary examples and features of the Council's governance framework, specific to 2019/20 which are set out below.
- 5.2. The Governance Framework described below and shown in **Appendix 1** has been in place for the year ended 31st March 2020 and to the time of the AGS being approved by Audit and Governance Committee in November 2020 unless otherwise indicated.

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

- 5.3. Cheshire East Council's vision and priorities are outlined in the Council's Corporate Plan. The updated Corporate Plan for 2017/20 was agreed by full Council on 23rd February 2017. The Corporate Plan forms the basis for developing proposals within the Medium Term Financial Strategy (MTFS 2019/22).
- 5.4. The Council's Corporate Plan expires in 2020 and work is ongoing to progress a plan which sets out the priorities of the new administration, within the context of the needs of the borough, the views of residents and the resources available.
- 5.5. The MTFS 2019/22 was agreed at the February 2019 Council meeting. The report sets out the Council's plan and required funding to ensure Cheshire East remains one of the best places to live in the North West. In February 2020, Council approved the MTFS 2020/24.
- 5.6. Progress against the Corporate Plan is reported to Cabinet on a quarterly basis. The reports demonstrate performance of the Council aligned to the outcomes defined in the Corporate Plan, and how priorities are being managed to achieve the best results for residents through the monitoring of set key performance indicators. Performance reports are also scrutinised by the Overview and Scrutiny Committees who provide comments to Cabinet.
- 5.7. The 2019/20 Final Outturn was reported to the Corporate Overview and Scrutiny Committee on 4th June 2020 and to Cabinet on 9th June 2020.
- 5.8. The Council delivered and progressed several infrastructure improvements and developments across the Cheshire East area. These major schemes are critical elements in delivering the ambitions of the Council. These include the Sydney Road Bridge (opened June 2019), construction progressing on the Congleton Link Road, and the Poynton Relief Road.
- 5.9. As recognised in previous Statements, the sustained and increasing financial pressures on health and social care services continue to present challenges to the Council. These are recognised as high scoring risks in the Council's Corporate Risk Register. An update on the actions undertaken during 2019/20 is provided later in this Statement.

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

- 5.10. The Council's Constitution sets out the rules for conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation.

- 5.11. At the meeting of Council in May 2019, a Notice of Motion committing the Council to a change in its decision making governance arrangements was referred to Constitution Committee. During 2019/20, the Constitution Committee, and a Governance Working Group it established, progressed the Notice of Motion.
- 5.12. In November 2019, the Constitution Committee determined not to make a recommendation to Council at that stage, requesting further work to be undertaken and reported back to the Governance Working Group. The Constitution Committee received these updates in March and October 2020.
- 5.13. In January 2020, the Group Leaders of Cheshire East Council agreed that the new governance arrangements will be implemented in May 2021 to allow more time for preparation.
- 5.14. The Council undertook extensive pre-budget consultation, setting out change proposals for consideration over the period 2019/22. Stakeholders were invited to comment on the Council's pre-budget report between October 2019 to the first week in January 2020 and a summary of the responses formed part of the consideration of the Medium Term Financial Strategy 2020/24 by Council at its February 2020 meeting.
- 5.15. The Medium Term Financial Strategy (MTFS) clearly identifies how resources will be matched against the delivery of priorities established in the Council's Three Year Plan.
- 5.16. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Reserves Strategy.
- 5.17. In January 2020, Cheshire East Council hosted its first Corporate Peer Challenge (CPC). Facilitated by the Local Government Association (LGA), a peer team consisting of councillors and senior officers from local authorities around the UK who examined the Council's leadership, governance, financial planning and capacity to deliver its priorities. In addition to the five core areas examined, the Council had asked the team to consider two specific areas; workforce and culture, and internal assurance and audit.
- 5.18. The final report of findings from the Peer Review was shared at both the Cabinet and Corporate Overview and Scrutiny meetings in June 2020. Key observations from the review team included:
- The Council has made good progress over the past few years.
 - It delivers several high-quality services to the residents of the borough which we should be proud of.
 - The culture change programme has made a profound difference to the way the organisation functions and the experience of staff.

- 5.19. A number of actions have been proposed to address recommendations made by the Corporate Peer Challenge team were included in the report to June Cabinet. Cabinet will monitor progress on actions on a six monthly basis.
- 5.20. Many of these actions relate to two areas already recognised in previous Annual Governance Statements; the change to a Committee system model of decision making and Council Funding.
- 5.21. The Council is utilising the powers available under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (“the Regulations”) to enable meetings of the Council to take place using virtual means. This allows authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability.
- 5.22. Council met in October 2020 for the first time using the virtual technology, Cabinet has met regularly, and meetings of various committees, have been held, demonstrating the Council’s commitment to democratic engagement in unprecedented times.
- 5.23. The Council has adapted its approach by assessing which decisions can be delayed and re-scheduled and which decisions need to be made at pace to deal with the pandemic. Holding virtual meetings ensures transparency and good governance prevails and allows access to the public and press.

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

- 5.24. The Acting Chief Executive, Executive Directors and Statutory Officers met regularly during 2019/20 as the Corporate Leadership Team (CLT), receiving assurance reports and updates from across the Council. CLT is supported by service/departmental management team meetings, and several cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the Governance Framework diagram in Appendix 1.
- 5.25. The Council’s new Chief Executive, Dr Lorraine O’Donnell joined the organisation in March 2020 and has worked closely with the Corporate Leadership Team and Members to lead the Council’s emergency response to and recovery from Covid-19.
- 5.26. Following the ‘all-out’ local elections for all 82 councillors in May 2019 the council moved from being a Conservative administration to no-overall control. A Joint Administration was formed comprising members of the Labour and Independent Groups. This included the election of 38 Councillors who had not previously held office as borough councillors.

- 5.27. A programme of induction for Members was undertaken to support all Members with awareness on the Council's governance and decision making processes, the work of individual committees' and the arrangements for Member and Officer codes of conduct and protocols. Three induction events, known as the 'Welcome Events' were hosted by the Acting Chief Executive and Members of the Corporate Leadership Team/Heads of Service during May. In turn, the three events covered
- Cheshire East: the organisation and its culture
 - Members' values and behaviours
 - Member/officer relations
 - Governance, finance and decision making
 - Code of Conduct
 - Members' Enquiries Service
- 5.28. Each "Welcome Event" was well attended. Between May and July, both new and returning Members attended briefing sessions for each Committee they were appointed to, held before the first meeting. In respect of the quasi-judicial bodies (e.g. Planning, Licensing, Audit and Governance, Appeals, Staffing), Committee Members attended their training sessions before they took up their place at Committee, in accordance with the Constitution.
- 5.29. An initial mandatory Members' Code of Conduct event was held on 20 May 2019. This event was open to all Councillors and was advertised in the timetable of induction events. Three further sessions on the Code of Conduct have been held in October and November 2019 and March 2020. Further sessions will need to be arranged to ensure all Members that were newly elected in May 2019 have completed this training by the end of December 2020.
- 5.30. Service related briefings have also been held for Members, alongside the induction events from June to date. Requests to hold such sessions continue to be received and events are added to the programme in accordance with the agreed criteria. Areas covered so far include Highways, Infrastructure Capital Projects, Strategic Transport, Town Centre Regeneration and HS2.
- 5.31. The Council's Constitution defines the standards of conduct and personal behaviour expected of, and between, members, staff, associated partners and the community, defined and communicated through Codes of Conduct and protocols. The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.
- 5.32. The statutory roles of the Head of Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are their responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.

- 5.33. Arrangements have been made, including the use of interim staff where necessary, to ensure that these statutory roles have been undertaken during 2019/20 and continuing into 2020/21. A recruitment process has been completed and an appointment made for the Director of Governance and Compliance (Monitoring Officer) role.
- 5.34. The Council publishes a Pay Policy Statement by 31st March on an annual basis. This provides transparency about the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2019/20 was agreed by Council in February 2019. The 2020/21 Pay Policy Statement recommended to Council on 20th February 2020 from Staffing Committee, it included a small number of key updates including the revised Senior Management Structure implemented on the 1st April 2019.
- 5.35. The Council's Staffing Committee has received update reports on the Council's Brighter Future Together Programme.
- 5.36. All staff undertake annual mandatory training on protecting and managing information and equality and diversity, completion and compliance is monitored and reported to Heads of Service and Directors. Managers are also supported with training on the Council's Dignity at Work and Grievance procedures.

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

- 5.37. Audit and Governance Committee have received update reports on the Council's Strategic Risks during 2019/20. Operational risk registers have been included in the department and service plans. These are reviewed by the team plan owners, and risks are considered for escalation to the Strategic Risk Register as necessary.
- 5.38. In addition, an updated Risk Management Framework was taken to the Audit and Governance Committee on 12th March 2020 and approved by Cabinet in June 2020. The Council's approach to risk management will continue to be reviewed and refreshed as necessary during 2020/21. The Committee received the 2019/20 Annual Risk Management Report on 24th September 2020.
- 5.39. The management of risk and monitoring of risk exposure has been a key part of the Council's response to the COVID-19 pandemic. An emergency planning incident was invoked, and a command structure was established in March 2020. This was to ensure that the Council could respond effectively to the pandemic and to report to central government, the National Health Service, an engage with the regional structures of the Local Resilience Forum and Strategic Coordinating Group (SCG).
- 5.40. Cabinet has met informally on a frequent basis to provide political leadership. The Executive Leadership Team has led the operational emergency response, which

has been co-ordinated by a bespoke Council Emergency and Response Team (CEMART), supported by officers from the Joint Emergency Planning Team.

- 5.41. Risk registers have been developed and maintained for each of the emergency response cells, as well as the inclusion of the pandemic risk on the Strategic Risk Register. Business Continuity Plans were reviewed as a priority during early stages of the pandemic response and continue to be refreshed as recovery plans are implemented. Risk registers are also in place for each of the recovery workstreams established to focus on supporting the longer term recovering from the pandemic.
- 5.42. In addition, the Council has introduced a parallel command structure to oversee the recovery from the Covid-19 pandemic. This has overseen the stepping up key services, support for businesses and town centres as the lock down restrictions have been eased by the Government. Scenario and risk planning has been undertaken to support to the longer term planning for recovery.
- 5.43. Reports to all decision making Committees are produced in line with a reporting protocol which involves clearance of reports through the relevant directorate management team, legal and financial review and the identification and mitigation of risks associated with the report content.
- 5.44. Council received the Overview and Scrutiny annual report for 2018/19 in October 2019, and the annual report for 2019/20 in October 2020. The annual reports summarises the activity of the four scrutiny committees during the municipal year.
- 5.45. Each Overview and Scrutiny Committee scrutinised quarterly performance scorecards and budget proposals for the 2019/20 and 2020/21 period relevant to their area of focus.
- 5.46. During 2019/20 the Children and Families Overview and Scrutiny Committee met on five occasions. The Committee's work programme included scrutiny of the new model for how high needs funding to schools is allocated, consideration of the Children and Young Peoples Plan and scrutiny of the Early Help Strategy. The Committee also scrutinised the Corporate Parenting Annual Report, Annual Adoption Report, and the Local Safeguarding Children Board Annual Report. Furthermore, the Committee received a report on the outcome of the Ofsted Standard Inspection of Cheshire East Local Authority Children's Services.
- 5.47. The Committee considered the progress and improvements made in delivery the Family Focus programme. It also received a report on the innovative approaches to Children in Need.
- 5.48. The Committee met in June, August and September 2020 where it received updates on the Council's response to Covid-19 in relation to education, child protection, children missing from home, children not accessing full time education plus an update on young people's mental health needs and the current offer.

Furthermore, at the August meeting, the Committee considered an update on Foster4 and the wider development work within the Fostering Service.

- 5.49. The Health and Adults Social Care and Communities Overview and Scrutiny Committee met on nine occasions during 2019/20. The Committee scrutinised reports throughout the year on proposals to cease Specialist Orthodontic and Oral Surgery Services. The Committee considered the East Cheshire NHS Trust, Mid Cheshire Hospitals NHS Foundation Trust and the Cheshire and Wirral Partnership NHS Foundation Trust 2018/19 Quality Accounts. Furthermore, it considered the Local Safeguarding Adults Board Annual Report 2018/19, the North West Ambulance Service (NWAS) Performance Update and the Everybody Sport and Recreation Annual Report 2018/19. The Committee received a progress reports on performance of the Council's Connected Communities Centres against key strategies and objectives and Recommissioned Respite Care Services.
- 5.50. The Committee scrutinised the activity and performance of the Council against the key objectives and aims set out in the Cheshire East Mental Health Strategy. It also considered the Cheshire East Five-Year Place Plan and a report on Working Arrangements at the Congleton War Memorial Hospital Minor Injuries Unit along with a task and finish group report on the SEND Local Offer for 16-25 Year Olds. It also received and considered a report on the Impact of 2018 Winter Pressures on Delayed Transfers of Care. It also considered a report from the East Cheshire Trust on the Macclesfield Neonatal Unit Re-Designation and an update on the Re-design of Adults and Older People's Mental Health Services in Cheshire East. The Committee received an update on how the Council is supporting resident to find, remain in and secure employment and considered the performance of the Council's contract for substance misuse services and a report on the future commissioning priorities of the Cheshire Clinical Commissioning Group.
- 5.51. The Committee met in June, July, September and October 2020 where it received updates on the ongoing Covid-19 pandemic including the Council's response to date from the adult social care, communities and public health departments and an update from local health partners in Cheshire East. Furthermore, the Committee also considered the Vulnerable and Older Persons Housing Strategy, the 2019/20 Quarter 4 Performance Scorecard, the Healthwatch Cheshire East Annual Report 2019/20 and an update report on the Sustainability of Health Services in Cheshire East. At the most recent meeting (October 2020), the Committee received reports on the Overview of Adult Safeguarding in Cheshire East, the Local Safeguarding Adults Board Annual Report 2019/20, the Cheshire East Winter Plan and the Cheshire East Covid-19 Local Outbreak Plan.
- 5.52. The Environment and Regeneration Overview and Scrutiny Committee met on seven occasions during 2019/20 and received presentations and reports on, a

Strategic Overview of Housing, Well Managed Highways Infrastructure and a Flood Risk Management Update.

- 5.53. The Committee also considered reports on the proposals for the Little Bus Service, and received reports on Macclesfield Town Centre Regeneration, Cheshire East 2019 Air Quality Annual Status Report 2019 and a Local Industrial Strategy for Cheshire & Warrington. It also received a Waste Strategy Briefing and considered results of consultation on the draft Environment Strategy and Carbon Action Plan before being considered by the Cabinet and received an update on the consultation undertaken on the draft Economic Strategy. The Committee also considered update reports on the A500 Dual Carriageway and Middlewich Eastern Bypass.
- 5.54. The Committee met in June and September 2020 where it received updates on the Council's Covid-19 response, considered a report on Procurement of a Housing Framework and a presentation on Cleaner, Greener Crewe and a report and presentation on Highway Drainage and Flood Risk Management.
- 5.55. The Corporate Overview and Scrutiny Committee met on eight occasions during 2019/20 and received updates and presentations on a variety of issues. These included the Best 4 Business project, Transparency Working Group, Digital Customer Services and the Media Relations Protocol. The Committee received the Mid-year Performance report, MTFS 2020-24 and a verbal presentation on the Pre-Budget 2020/21 Consultation. The Committee also considered the Statutory Scrutiny Guidance and the Scrutiny Healthcheck report. It also received an oral update on the Financial Implications of a Committee System and scrutinised the joint ICT investment By CEC and CWAC.
- 5.56. The Committee met in June, September and October 2020. It received reports on the Corporate Performance Scorecard 2019/20 Quarter 3, the 2019/20 Outturn, the Capital, Investment and Treasury Management Strategies Annual Review 2019/20, the Mid-Year Review 2020/21 and the Crowd Funding Policy Proposal and the Re-Procurement of Case Management Systems: Adult's and Children's. In addition, the Committee received updates on the Best 4 Business (B4B) programme and the Corporate Peer Challenge.
- 5.57. The Council's Scrutiny arrangements have recently been self- assessed by the former chairmen and vice-chairmen of the Council's overview and scrutiny committees from 2018/19. The recommendations from the review were passed to the Head of Democratic Services and Governance to appropriately administer.
- 5.58. The Information Governance Group met regularly throughout 2019/20, managing a programme of proactive improvement and ongoing compliance with the requirements of the Data Protection Act 2018. The Group also managed responses to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), and the Corporate Leadership Team. An update

report on Information Governance 2018/19 was provided to the Audit and Governance Committee in July 2019. The Annual Information Governance Update 2019/20 was presented to the July 2020 Committee.

- 5.59. During 2019/20, the Commissioning and Procurement Board was replaced by the Brighter Futures Commercial Board which is chaired by the Director of Commissioning and meets each month.
- 5.60. A commissioning, procurement and contract management training package has been developed during 2019/20 with a view to being available for use in 2020/21. During 2019/20 the Council procured a contract management system which will enable all contracts to be stored and managed centrally. The system will also act as a dashboard for senior managers and a portal for suppliers with an anticipated go live later in 2020/21.
- 5.61. The Audit and Governance Committee plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 5.62. During 2019/20 the Audit and Governance Committee received or approved a broad range of reports and assurances, including:
- Approval of the Internal Audit Plan and subsequent progress reports, the Committee's Annual Report and the External Audit Plan and progress reports;
 - Updates on Risk Management and Treasury Management; and
 - Overseeing governance arrangements and reviewing all approved Waivers and Records of Non Adherences. The WARN process forms part of the Contract Procedure Rules (CPR's) which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability. Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered in part two of the meeting.
- 5.63. The Audit and Governance Committee's self-assessment against the CIPFA guidance was considered at the March 2020 meeting. A number of actions were identified to be developed into an Action Plan. The Action Plan was presented to the Committee at its May 2020 meeting.
- 5.64. The Committee's Annual Report for 2018/19 was presented to the July 2019 Audit and Governance Committee. The draft Annual Report for 2019/20 was presented to the July 2020 Committee and the final Annual Report 2019/20 was received at the October 2020 Council meeting.

- 5.65. The 2018/19 Annual Governance Statement was approved at the July 2019 meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The Statement was signed by the Leader of the Council and the Acting Chief Executive and published on the Council's website.
- 5.66. An update on progress made in managing issues raised in the 2018/19 Statement was taken to the Audit and Governance Committee meeting in December 2019. The Committee noted and endorsed the updates provided, including recommendations to the Committee on whether items remain in the Statement. Progress made in managing issues noted as "requiring further attention" in previous Statements, is covered in the Section 7 of the Statement.

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

- 5.67. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2019/20 which was received by the Audit and Governance Committee on July 30th and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2019/20

- 5.68. Counter Fraud activity is reported to the Audit and Governance Committee through the Internal Audit progress reports. A detailed update on Counter Fraud activity both locally and nationally was provided to the September 2019 meeting of the Committee. Audit and Governance Committee received an update to the September 2020 meeting outlining the counter fraud support work undertaken in responding to Covid.
- 5.69. During the period, a detailed piece of work was undertaken at the request of Cheshire Police in support of an upcoming prosecution that was heard in Chester Crown Court at the end of April 2020.
- 5.70. The outcome of the case was that a former Member pleaded guilty to two charges of fraud in relation to expense claims submitted between 2010 and 2015. Two further counts to which a not guilty plea was submitted will remain on file. He was sentenced to 8 months imprisonment suspended for 12 months along with a curfew order during this period. He was also ordered to pay £500 costs to the court.
- 5.71. A review of the Member's expenses process was carried out in 17/18, to provide assurance that this was an isolated incident and to ensure that effective procedures and controls were in place to manage the submission and payment of

claims going forward. Several actions were recommended to provide improvements to the process, and these have all been implemented. A review of expenses and allowances will be undertaken as part of the 2020/21 Internal Audit plan.

- 5.72. The Council has a number of wholly owned companies. Several changes were made following an independent review of its Alternative Service Delivery Vehicles.
- 5.73. The following have been in operation during 2019/20;
- Orbitas Bereavement Services Limited
 - ANSA
 - Transport Service Solutions Ltd. (TSS Ltd)
 - Tatton Enterprises Limited
 - Civicance (came back under control of the Council on 1st April 2020)
 - Engine of the North (EoTN) (came back under control of the Council in August 2019)
 - The Skills and Growth Company (SAGC) (came back under control of the Council in August 2019)
- 5.74. In October 2019, the ASDV Shareholder Committee received a report outlining its draft terms of reference and a forward plan of work. It also outlined the recruitment process for 2 co-opted members to join the committee, and an ASDV Business Plan Appraisal Tool. These elements are designed to fulfil the need identified in the ASDV for strategic challenge of business plans, the leadership of each company, and growth initiatives (and their business cases) outside of the annual approval process.
- 5.75. The ASDV Shareholder Committee, supported by a project team will consider a change programme considering the recommendations of the ASDV review in relation to future operating models for each ASDV over the next two years.
- 5.76. The ASDV Shareholder Committee has met regularly between October 2019 and February 2020, reviewing update reports from the Council's ASDVs, the external audit reports on 2018/19 accounts, and the 2020 ASDV business plans. In September 2020, the Committee received a verbal update on the progress of the ASDV Change Programme, the Quarterly Company Director's Reports for quarter 4 of 2019/20 and they reviewed the 2021/22 ASDV Business Plan template and review process.
- 5.77. Everybody Sports and Leisure (ESAR) is a charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. ESAR deliver services for the Council as set out in the operating contract, which is monitored through client commissioning arrangements, including contract management meetings and monitoring visits. The current operating agreement between the Council and ESAR runs to 30th April 2029

- 5.78. ESAR's annual performance report for 2018/19 and Future Investment Programme was reported to Cabinet in October 2019. The Council's Health and Adult Social Care and Communities Overview and Scrutiny Committee also considered ESAR's annual report at its November 2019 meeting where a number of questions were discussed, and it was agreed that further information be provided to the Committee in response to the questions on the take-up of services by cared for children and which sites have "green gym" equipment.
- 5.79. The Shared Services Joint Committee oversees the management of the services provided pan-Cheshire on behalf of Cheshire East and Cheshire West and Chester Councils, to ensure effective delivery of services and strategic direction. Regular reports on performance and progress have been received during the year by the Committee from ICT Services, the Transactional Service Centre, progress in replacing the Finance and HR System (Best for Business) and the reviews of the Committee's governance arrangements.
- 5.80. The Shared Services Joint Committee has received progress reports on the shared programme with Cheshire West and Chester Council to replace the existing Finance and HR Systems throughout 2019/20. The Committee has also received Best for Business update reports in June and September 2020. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council.
- 5.81. In November 2019, Ofsted carried out an inspection of children's social care services. The judgement awarded was "Requires improvement to be good". The outcome of the inspection was put to Cabinet in January 2020 where the contents of the report were noted, including both the areas of strength and areas for development.
- 5.82. The report also confirmed that a detailed action plan was under development and will be considered by the Children and Families Overview and Scrutiny Committee and will also be monitored and scrutinised by the Health and Wellbeing Board. Furthermore, Cabinet confirmed the Council's continued ambition and commitment to achieving good or outstanding services for Cheshire East's children and young people.
- 5.83. The Accounts and Audit Regulations (2015) legislation prescribes the format and timescale of the production of the Annual Governance Statement and the Statement of Accounts for local authorities. In recognition of the impact of the pandemic, The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 have now been published.
- 5.84. This legislation amends the timescales for the publication of the draft and final statements as follows;

- Publication of draft statements (Accounts and AGS) moves from 31st May to 31st August 2020.
- Publication of final statements (Accounts and AGS) moves from 30th July to 30th November 2020.

- 5.85. The original schedule of meetings for the Audit and Governance Committee would have met to consider the draft and final statements to ensure compliance with the 2015 legislation timescales. In the Committee's Work Plan report (May 2020), the Committee reviewed its planned schedule of meetings, with the changes as follows
- 5.86. Thursday 30th July – no change proposed – Committee will be asked to consider draft Statement of Accounts and draft AGS at this meeting.
- 5.87. Thursday 24th September – no change proposed to timing, planned content will be reviewed as part of the July Committee meeting.
- 5.88. Thursday 10th December – proposed that this meeting is rescheduled to November 2020 to ensure that the final Statement of Accounts and final Annual Governance Statement can be considered and approved in line with the amended regulations.

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

- 5.89. The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. Complaints are considered by the Monitoring Officer and an Independent Person. Complaints can be received about Cheshire East Councillors, co-opted members and Town and Parish Councillors.
- 5.90. The promotion of high standards of conduct, and of strong ethical governance among elected members, co-opted Members, and Town and Parish Council Members within the Borough, is critical to the corporate governance of the authority and to the Council's decision-making process across the organisation.
- 5.91. In July 2019, the Audit and Governance Committee received the Annual Report of the Monitoring Officer 2018/19 Officer, advising on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed.
- 5.92. The Committee received an update report in December 2019 relating to the Member's Code of Conduct. The report detailed the number of complaints made against Cheshire East Councillors and Town and Parish Councillors; the paragraph of the Code alleged to have been breached and the outcome of each

complaint, where completed. This information is provided to support the Committee's role in monitoring and maintaining high ethical standards within the authority.

- 5.93. The Committee agreed that a review of the Code of Conduct would be added to the Committee's Work Plan for 2020/21 and that it should be linked to the Local Government Association publication of a revised Model Code of Conduct which was published for consultation in July 2020. The review remains on the Committee's work plan pending the publication of the final Code.
- 5.94. At the July 2020 meeting, the Committee received the Annual Monitoring Officer Report 2019/20. The report advised on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed.
- 5.95. As reported in previous Annual Governance Statements, the Council has operated with interim senior management arrangements since 2017/18. During 2019/20 an Acting Chief Executive was in place until 8th March 2020, following their resignation in December 2019.
- 5.96. From the period 8th March to 20th March 2020, the Executive Director Place was appointed as the Acting Chief Executive. A new and permanent Chief Executive was ratified by Council on 20th February 2020 and took up their position on 30th March 2020.
- 5.97. In addition, the Council also appointed the Executive Director Place as the Deputy Chief Executive (who had been acting up as Deputy Chief Executive since April 2017) and the Executive Director People who had been in acting up to this position from April 2017. Furthermore, the Executive Director Corporate Services was appointed during the year and took up post in September 2019.
- 5.98. In June 2018 Cheshire Police confirmed that the investigation into the historical awarding of a contract by Cheshire East Council has concluded and a file has been submitted to the Crown Prosecution Service (CPS). In June 2020, the CPS determined that there was insufficient evidence to provide a realistic prospect of conviction with regard to the award of the contract. The CPS had identified issues in relation to procurement; the Council is now reviewing the findings and will take all appropriate steps in due course.
- 5.99. A separate Cheshire Police investigation into the award of grant funding for a primary school car park has also concluded, with no further action to be taken. This issue has been included in previous Annual Governance Statements.
- 5.100. Other matters previously referred to Cheshire Police by the Council are subject to active investigation. The Council continues to provide support as required.

- 5.101. Section 151 responsibilities for 2019/20 were covered by the Director of Finance and Customer Services. These arrangements complied with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.102. From the 1st April 2019, the Monitoring Officer responsibility has been invested in role of the Director of Governance and Compliance Services. An Interim Director of Governance and Compliance Services was in place from April 2019 to September 2019, with a permanent post holder in place from September 2019 to July 2020. Interim arrangements have been in place from the end of July 2020 to October 2020 when the newly appointed Director of Governance and Compliance joined the Council.
- 5.103. In its assurance role, the Staffing Committee has received updates on the Brighter Future Together (Culture) Programme throughout 2019/20. This is the transformation programme established to deliver changes in the organisational culture of the Council following the review undertaken by the Local Government Association (LGA). The LGA's report was received in January 2018 and is available on the Council's website.

Ensuring openness and comprehensive stakeholder engagement

- 5.104. The Council's Transparency Working Group reported on its progress to the Corporate Overview and Scrutiny Committee on 4th April 2019. In this report, the Group outlined the substantial progress made by the Group which included achieving compliance with the Local Government Transparency Code 2015, the Information Commissioner's Publication Scheme, Re-use of Public Sector Information Regulations 2015 and various copyright and data licensing regulations.
- 5.105. The Council's open data portal 'Insight Cheshire East' was redesigned and relaunched. 'Insight Cheshire East' holds the majority of our transparency information and open data together in one place. The new site is designed to make inspecting, accessing and downloading our data easier for everyone, including developers, who may wish to use our data in their own applications or websites. Work is continuing to expand the content on the site, with emphasis on areas that residents most frequently request information about.
- 5.106. As required by the Transparency Code 2015, the Council published the current number of Council employees with basic salaries of £50,000 or over on the Open Data Cheshire East Portal.
- 5.107. Committee meetings have continued to be audio cast throughout 2019/20. Recordings can be found on the relevant Committee pages. Meetings are held in public and agendas, reports, and minutes are published via the Council's website.

- 5.108. The Council is utilising the powers available under the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (“the Regulations”) to enable meetings of the Council to take place using virtual means.
- 5.109. The Council worked quickly to adapt to holding virtual meetings. Members and officers have worked well together to enable these to be successful. There have been a small number of technical and connection issues which have been resolved. Over 40 training sessions have now taken place with Members on Microsoft Teams and support continues to be offered.
- 5.110. Updates on the organisation’s response to Covid-19 have been provided to the Cabinet meetings held in June, July, September and October 2020.
- 5.111. The Council publishes delegated officer decisions on its website, demonstrating how the provisions of the Constitution have been exercised.
- 5.112. Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as appropriate, including statutory consultation processes for areas such as Planning and Licensing. Information is available on the Council’s website in relation to current consultations and the feedback received on previous consultations and the subsequent decisions made are also available.
- 5.113. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. “Core Brief” was introduced in the year, as a monthly topical update from the Corporate Leadership Team, to be cascaded through Department Management Team meetings to Team/Unit meetings as necessary. Members of the Corporate Leadership Team regularly participate in “Back to the Floor” sessions across various parts of their service areas to engage directly with their teams.
- 5.114. Members and Officers have received frequent briefings on Covid-19 related matters with dedicated areas of content on Centranet directing colleagues to advice and guidance.
- 5.115. Directors and Heads of Service meet at regular intervals as the Wider Leadership Team and the Wider Leadership Community. These sessions facilitate briefing, networking and development opportunities across the senior Officer leadership cohort. Key messages from these sessions are cascaded through department and team management sessions. These have been convened though online sessions in recent months.
- 5.116. Members of staff are encouraged to participate in the “Making a Difference” recognition scheme, nominating colleagues for an instant recognition “Made my Day” message, or for nomination in the monthly and annual awards. The recognition panel itself includes volunteers from across the organisation.

- 5.117. The Council's Corporate Leadership Team has continued to hold regular staff engagement events; "A Conversation With..." These have been held across the Council's various office locations and offer an opportunity for staff to raise any questions or issues they have directly with their Senior Managers. Questions and answers are summarised and shared via the Team Voice newsletter. Since June 2020, the "A Conversation With..." events have been held virtually. Sessions are available for staff to book up until December 2020.
- 5.118. Council services use various forms of social media, to engage and inform communities and stakeholders. The main Council website has a Media Hub page, where a variety of information about the Council is published. The Communications team also provide related media releases, where appropriate. Statutory public notices are also shared online.

6. Review of Effectiveness

- 6.1. The Council undertakes an annual review of its governance arrangements. This process is informed by a range of sources. The various sources of assurance which inform the annual review are described below and also referenced in the Governance Framework in Appendix 1.
- 6.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:
- **Line Management** - Assurance on individual line managers' areas of responsibility are provided by Disclosure Statements and informed by the acceptance and implementation of recommendations from internal and external audit.
 - **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive improvement, and how relevant risk management information is escalated up or cascaded down through the Council.
 - **Internal Review** - The performance of Internal Audit and the Audit and Governance Committee, along with their assessments of the performance of individual service areas, and cross function service areas informs the preparation of the Statement. There have been no significant governance issues.
 - **External Review** - The findings and feedback from external inspectorates and peer reviews of the Council also provide assurance which is considered in preparing the Statement.
 - **Reference and review of existing reports and assessments**

- 6.3. For the purposes of the Annual Governance Statement “significant” is defined as an issue which has had or has the potential to have a noticeable impact on the Service’s and/or Council’s ability to achieve its objectives.
- 6.4. Examples might include:
- Legal action against the Council for failing to fulfil a statutory duty (resulting in a substantial financial penalty and/or loss of reputation);
 - An instance of fraud or corruption involving financial loss, a noticeable impact on service delivery and/or loss of reputation;
 - An unexpected occurrence resulting in substantial financial loss, disruption to service delivery and/or loss of reputation (including significant media coverage/interest);
 - Failure of a major project to meet stated objectives; or
 - A serious breach of the Code of Conduct having a noticeable effect on service delivery and/or reputation.
- 6.5. Section 7 sets out the progress made against the issues identified in previous Annual Governance Statements, which have been monitored through 2019/20.
- 6.6. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon to the Audit and Governance Committee, through previous Annual Governance Statements, and most recently in an update provided in December 2019.
- 6.7. At that meeting, the Committee approved the recommendations that substantial progress had been on the following areas, and that they could be removed from the Annual Governance Statement and be subject to local monitoring and management.
- Land Transactions
 - Holiday Pay
- 6.8. The Committee approved the removal of Business Continuity as a significant governance issue from the AGS in July 2020 due to the significant progress made.
- 6.9. The issues of “Council Funding” and “Health and Social Care Integration” are included again as continuing areas of concern issues for 2019/20 in the updates in Section 7. This recognises the continuing significance of these two specific areas, at national and local levels, and the impact of Covid-19
- 6.10. The review has considered the effectiveness of the Council’s governance arrangements against the principles set out in the revised Code of Corporate Governance.

- 6.11. Overall, we can confirm that the council has appropriate systems and processes in place to ensure good governance is maintained. Whilst we are satisfied that these generally work well, our Annual Governance review has identified areas where further improvements are underway (Section 7) and recognised the challenges that Covid-19 poses. These are outlined in Section 8.

7. Progress against issues identified in previous Annual Governance Statements

Council Funding <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	
Description of Issue	<p>Ongoing and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.</p>
Responsibility	<p>Interim Executive Director of Corporate Services</p>
Action proposed at the time of inclusion in the AGS	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</p> <p>Senior accountants are fully engaging with government and professional bodies (such as CIPFA, SCT, RSN and UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligning Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract</p>

	management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework.
Progress update for AGS 2019/20	<p>The 2019/20 Outturn was reported to Cabinet in June 2020, via the Corporate Overview & Scrutiny Committee. The report identified overspending within services in line with that reported as part of the Third Quarter Report, except for subsequent exceptional spending associated with the COVID-19 pandemic. The Third Quarter Report was presented to Council in February alongside the Medium Term Financial Strategy.</p> <p>The Medium Term Financial Strategy 2020 – 2024 included a balanced budget for 2020/21 but forecast annual deficits from 2021/22 onwards. Opening balances reflected the forecast outturn. Service spending issues identified in the Third Quarter Report were addressed in the MTFS, but the unsustainable reliance on one-off reserves, the low level of reserves generally and the presence of future deficits, was referenced as requiring attention within the Section 151 Officer's s.25 Statement.</p> <p>The potential financial impact of the COVID-19 Pandemic is significant and additional Central Government funding is being provided. The value of the additional funding compared to the local impact is an emerging picture, subject to regular exchanges of information between central and local government. The Council's reserve levels provide limited flexibility to absorb local financial consequences from COVID-19 and the overall position will be reported to members as and when appropriate information is available.</p>

Health and Social Care Integration <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	
Description of Issue	<p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the two acute providers and one Community and Mental Health provider in the Borough.</p> <p><i>Please note a restructure has created a single CCG for Cheshire as of 1st April 2020.</i></p> <p>BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with the initial aims of the</p>

	<p>work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>
Responsibility	Executive Director of People
Action proposed at the time of inclusion in the AGS	<p>The BCF Governance Group, overseen by Cheshire East's Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East's plans for BCF in 2016/17. The expected status is "approved with support".</p> <p>At the time of submission, there were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> • Final agreement for expenditure plans; • Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group; and • Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&E Delivery Boards). <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key "medium" ranked recommendations:</p> <ul style="list-style-type: none"> • Failure to identify and effectively manage BCF risks; • CEC and CCG's Programme Management Office approaches to the BCF are not co-ordinated; and • Poor Information Governance. <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been</p>

	<p>done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>
Progress Update for AGS 2019/20	<p>The BCF/IBCF schemes have continued to operate during 2019/20 and an end of year report covering the progress of the schemes during 2019/2020 has been produced. This includes information on the financial performance, data performance and overall progress was presented to and endorsed by the Health and Wellbeing Board in September 2020. The 2020-21 Plan is now being delivered.</p> <p>Significant progress has been made with the Cheshire East Place Health and Care Partnership. The Partnership's Five Year Plan was published in November 2019, setting out the vision and aspirations of the Partnership with a 'Technical Appendix' identifying key activity that will be undertaken. The Partnership is now leading the work to take forward the integration agenda through a number of work-streams:</p> <ul style="list-style-type: none"> • Acute Sustainability – to ensure that our acute hospitals have a clinically and financially secure future. Consultants have been appointed to draft the pre consultation business case and this work is underway (although delayed by the COVID 19 outbreak); • Integrated Care Partnership – a partnership of health providers (Acute Trusts, Mental Health Trust, Community Services and GPs and the Council) to enable the joining up of service provision in a seamless way. The Board has been established, a Managing Director appointed and priorities identified (linked to the Five Year Plan) for the ICP to progress. A Transformation Plan has been drafted and a Transformation Delivery Group established. Four priorities are being worked, respiratory health, cardiovascular health, mental wellbeing and children's health; • Care Communities – eight care communities are now firmly established based around local clusters of GP practices. These bring together the clinicians and other professionals working with residents in the local Care Community

Cheshire East Council Annual Governance Statement 2019/20

	<p>geography to ensure that service delivery at that local level is effectively joined up.</p> <p>These three core workstreams are supported by enabling workstreams looking at ICT, Workforce, Estates, Finance and Communications. Each of these has been making progress over the year.</p> <p>The Cheshire East Place is engaged with the Cheshire and Merseyside Health and Care Partnership at both a strategic and operational level. The Cheshire and Merseyside Partnership is working towards achieving Integrated Care System Status by 1st April 2021. Cheshire East is one of nine places that make up the Cheshire and Merseyside Partnership. Cheshire East politicians and senior managers virtually attended the Partnership's first 'Assembly' in September.</p> <p>Finally, the Health and Wellbeing Board under its new Chairman, the Leader of the Council, has undertaken a review of itself to ensure that it is fit for purpose. The proposed changes were considered and agreed by the Board at its July meeting. It has been a helpful process in determining the role that the Board needs to play in the changed (and changing) landscape.</p>
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Proposed Change to the Committee system of Governance	
Description of Issue	<p>Following the change in political leadership in May 2019, the Council will be exploring a change from the Leader and Cabinet Model of governance to the implementation of a full Committee model of governance.</p> <p>This will be developed during 2019/20 with a view to taking effect from the beginning of the 2020/21 Municipal Year subject to a legally and constitutionally robust process, led by the Council's Constitution Committee, and agreed by Council.</p>
Responsibility	Chief Executive
Action proposed at the time of inclusion in the AGS	The change in the Council's decision-making arrangements and governance framework will be undertaken through the Council's Constitution Committee and Council to ensure that the process of change is legally compliant and delivers the intended outcome.
Progress Update for AGS 2019/20	At the meeting of Council in May 2019, a Notice of Motion committing the Council to a change in its decision-making governance arrangements was referred to Constitution Committee. During 2019/20 and 2020/21, the Constitution

	<p>Committee, and a Governance Working Group it established, progressed the Notice of Motion.</p> <p>In November 2019, the Constitution Committee determined not to make a recommendation to Council at that stage, requesting further work to be undertaken and reported back to the Governance Working Group. The Constitution Committee received these updates on 19th March 2020 and 5th October 2020.</p> <p>In January 2020, the Group Leaders of Cheshire East Council agreed that the new governance arrangements will be implemented in May 2021 to allow more time for preparation.</p> <p>The final recommendations of the Constitution Committee are now in place and ready for Council approval which, if secured, will enable the new arrangements to take effect in May 2021.</p>
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Replacement of the Council's Core Financial Systems	
Description of Issue	<p>The Council is in the process of replacing its existing ERP system, in a joint project with Cheshire West and Chester Council.</p> <p>This will see the replacement of the existing Oracle system including core modules covering accounts payable, income and payroll.</p> <p>The new system will achieve business efficiencies through changes in the software and supporting business processes.</p> <p>Change in the Council's core business system needs to be carefully managed to ensure the new system is fit for purpose that the changeover managed with minimal disruption, and that the transition to new business processes is successfully implemented to deliver the intended benefits.</p>
Responsibility	Executive Director of Place and Deputy Chief Executive.
Action proposed at the time of inclusion in the AGS	<p>The governance model adopted to deliver the replacement business system recognises the significance of the change required and risk involved in project delivery.</p> <p>Member involvement has been set up through the Shared Services Joint Committee and a specific joint scrutiny working group.</p> <p>Programme delivery is monitored by a monthly Steering Group comprised of Chief Officers from the two councils and the</p>

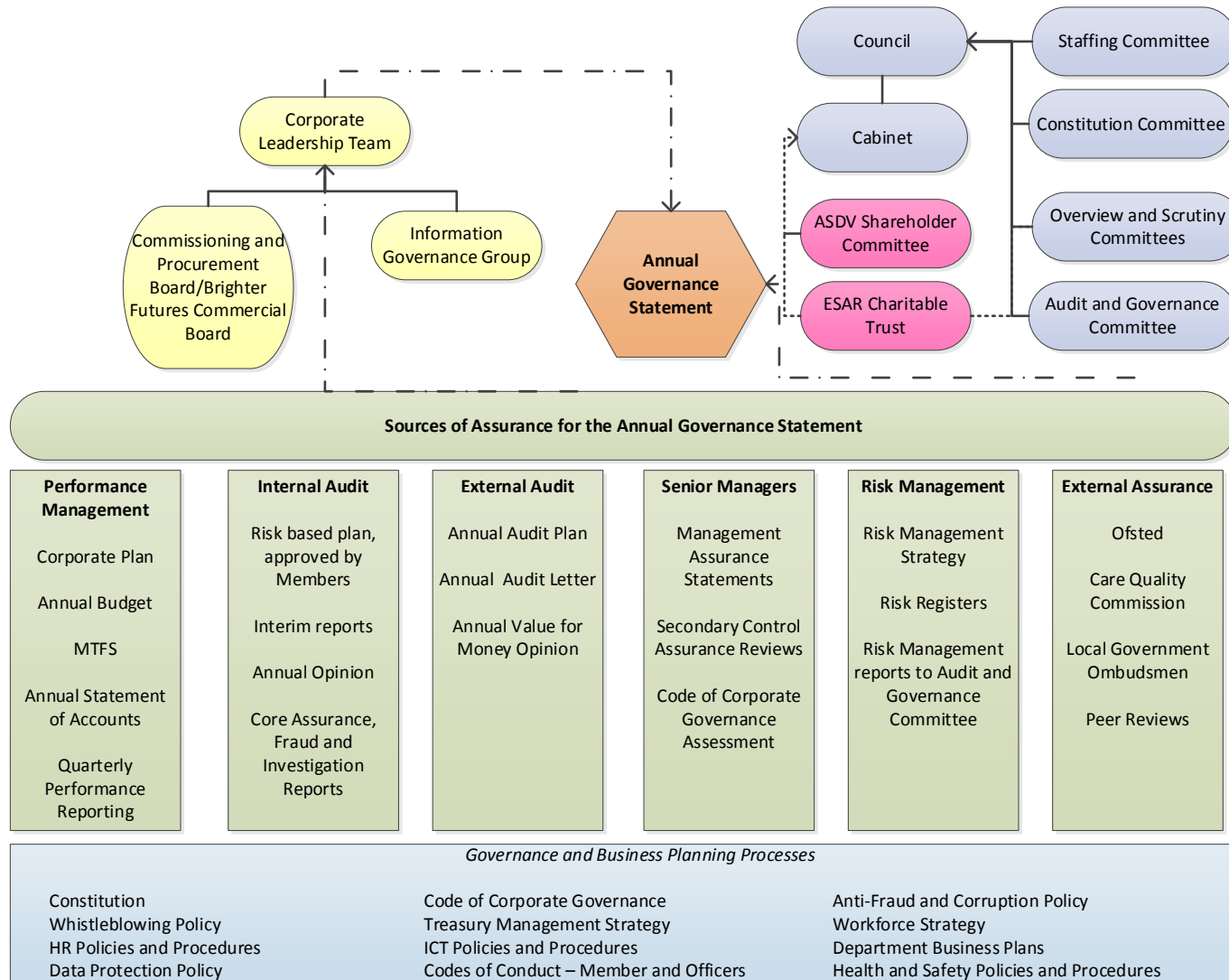
	<p>Programme Director. This is supported by a monthly Programme Board which is attended by the external implementation partner and is supported by a jointly staffed internal team which has been involved from the procurement stage.</p> <p>The Councils' Internal Audit teams are undertaking a joint programme of review and assurance throughout the implementation of the replacement and ahead of the new system going live.</p>
Progress Update for AGS 2019/20	<p>In partnership with Cheshire West and Chester Council, a fundamental review of the Best 4 Business programme was conducted between April 2019 and December 2019. The outcomes of this review were reported to Corporate Overview and Scrutiny Committee, the Shared Services Joint Committee and Cabinet.</p> <p>Further progress updates have been provided to both Council's Overview and Scrutiny Committees, the Shared Service Joint Committee and Joint Scrutiny Working Group. along with regular Portfolio Holder briefings.</p> <p>The latest update was provided to the Shared Services Joint Committee which received a report in Sept 2020 on the following key areas:</p> <ul style="list-style-type: none"> • Update on the programme delivery; • Update on the financial and delivery risks including those relating to Covid. <p>In addition, the revenue implications (direct and indirect) of the programme were identified in the mid-year review report to Cabinet in October 2020</p> <p>Further update reports will be provided to Portfolio Holders, Corporate OSC, the Shared Services Committee and the scrutiny working group as the project continues.</p>

8. Significant Governance Issues 2019/20

- 8.1. The significant governance issues the Council recognises as arising during 2019/20 are detailed below. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need implementing and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Leadership Team and reported to the Audit and Governance Committee.

Description	Actions	Responsibility
<p><u>Responding to the impact of Covid-19</u></p> <p>Like other local authorities, the Council has been significantly challenged by the coronavirus pandemic.</p> <p>Responding to the pandemic will bring substantial risks to the Council in 2020-21.</p> <p>The challenges to the Council have been recognised in the reports provided to Cabinet, Scrutiny and Audit and Governance to date, which have highlighted the challenges being experienced, the Council's response, recovery plans, and future risks.</p>	<p>There will be an ongoing review of the financial impact as well as the impact on procedures and processes relating to the emergency.</p> <p>Reports on the Council's ongoing response will continue to be provided to Cabinet, and other Committees where appropriate.</p>	<p>Chief Executive</p>

Appendix 1: The Governance Framework 2019/20



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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 11 November 2020

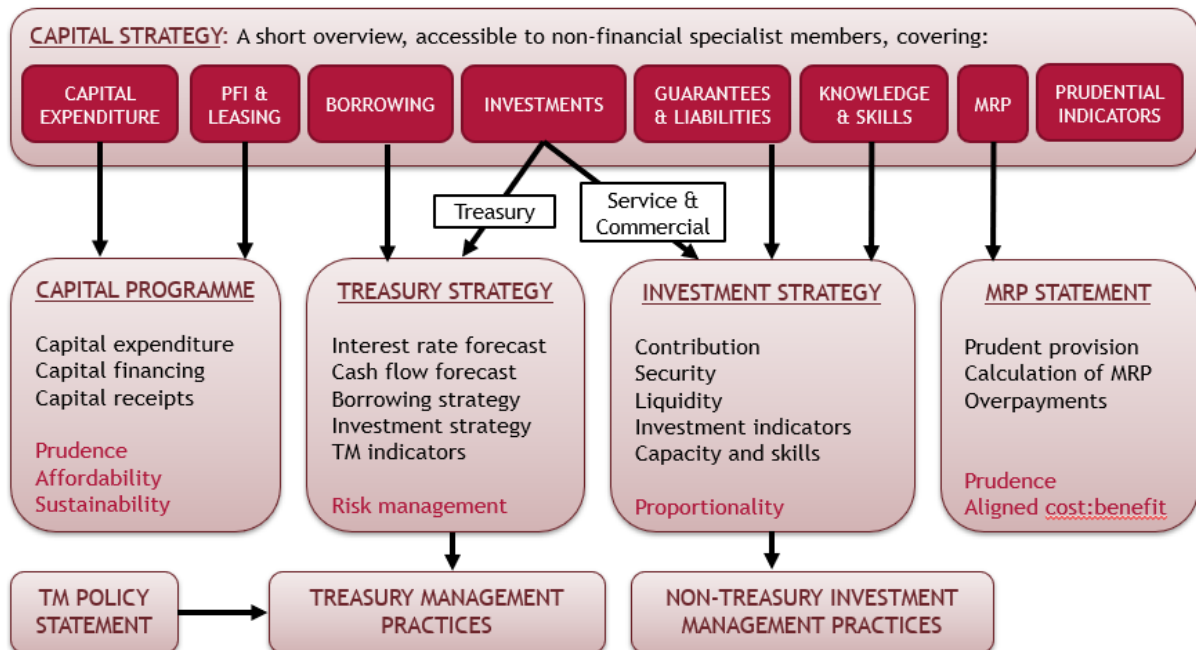
Report Title: Draft Treasury Management Strategy and Minimum Revenue Provision Statement 2021/22

Senior Officer: Alex Thompson, Director of Finance & Customer Services

1. Report Summary

- 1.1. The purpose of this report is to update Members on the contents of the Council's draft Treasury Management Strategy and the Minimum Revenue Provision (MRP) Statement.
- 1.2. The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.
- 1.3. The Treasury Management strategy is an important element in the overall financial health and resilience of Cheshire East Council. The strategy focuses on the management of the Council's investment and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks. Treasury risk management is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.
- 1.4. The balance sheet forecast and liability benchmark in Section 3 will be updated when the capital programme is agreed, therefore the Strategy is currently in a draft stage.

- 1.5. The Treasury Management Strategy forms part of a range of financial strategies which will be reported as part of the Medium-Term Financial Strategy to Cabinet on 2nd February 2021 and then on to Full Council for approval on 17th February 2021.



Source: Arlingclose Strategy Report Templates

2. Recommendation/s

- 2.1. To note the draft Treasury Management Strategy and the MRP Statement for 2021/22 set out in Appendix A.

3. Reasons for Recommendation/s

- 3.1. The report presents the 2021/22 draft Treasury Management Strategy Statement (TMSS), required under Part 1 of the Local Government Act 2003.
- 3.2. The Treasury Management Strategy details the activities of the Treasury Management function in the forthcoming year 2021/22. The Strategy reflects the views on interest rates of leading market forecasts by Arlingclose, the Council's advisor on treasury matters. It also includes the Prudential Indicators relating to Treasury Management.

4. Other Options Considered

- 4.1. None.

5. Background

- 5.1. The treasury management team work closely with the Council's advisors Arlingclose to gain the maximum benefit from their expertise and guidance, including benchmarking performance against other local authorities.
- 5.2. The Treasury Management Strategy takes into account future borrowing requirements, based on the Council's four year spending plans, projected cash flow requirements and money market opportunities. The aim is to maintain control over borrowing activities, with particular regard for longer term affordability; but also to allow sufficient flexibility to respond to changes in the capital and money markets as they arise.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. As noted in paragraph 4.53 of the Finance Procedure Rules in the Council's Constitution, the Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities* as this is recognised as the accepted standard for this area. Paragraphs 4.54 – 4.58 provide further information relating to treasury management practice, and the Code itself will have been developed and based upon relevant legislation and best practice. This report will be presented to Cabinet under rule 4.58.

6.2. Finance Implications

- 6.2.1. Contained within the report.

6.3. Policy Implications

- 6.3.1. The treasury management strategy has been prepared in accordance with the Treasury Management Policy Statement and Treasury Management Practices (TMPs).

6.4. Equality Implications

- 6.4.1. None.

6.5. Human Resources Implications

- 6.5.1. None.

6.6. Risk Management Implications

6.6.1. The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.

6.6.2. The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.

6.6.3. To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.

6.6.4. The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

6.7. Rural Communities Implications

6.7.1. None.

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

6.8.1. None.

6.9. Public Health Implications

6.9.1. None.

6.10. Climate Change Implications

6.10.1. None.

7. Ward Members Affected

7.1. Not applicable.

8. Access to Information

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

9. Contact Information

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

Name: Alex Thompson

Job Title: Director of Finance & Customer Services (Section 151 Officer)

Email: alex.thompson@cheshireeast.gov.uk

Appendix A - Treasury Management Strategy Statement 2021/2022

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Appendix A

**Treasury Management Strategy Statement
2021/2022**



Contents

1. Background
2. External Context
3. Local Context
4. Borrowing Strategy
5. Treasury Investment Strategy
6. Treasury Management Indicators
7. Other Items
8. Financial Implications

Annexes

- A. Economic & Interest Rate Forecast
- B. Existing Investment & Debt Portfolio Position
- C. MRP Statement 2021/22

1. Background

- 1.1. Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- 1.2. Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2017 Edition* (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the *Local Government Act 2003* to have regard to the CIPFA Code.
- 1.3. In preparing this strategy the Council has had regard to the advice received from its appointed Treasury Management advisors, Arlingclose Ltd who have helped shape the content of this strategy. The current contract for advice expires 31st December 2021.
- 1.4. Investments held for service purposes or for commercial profit are not part of the treasury management strategy and are considered in a separate Investment Strategy.

2. External Context

- 2.1 **Economic background:** The spread of the coronavirus pandemic dominates as countries around the world tried to manage the delicate balancing act of containing transmission of the virus while easing lockdown measures and getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines as agreement between the UK and EU on a trade deal was looking difficult and the government came under fire, both at home and abroad, as it tried to pass the Internal Market Bill which could override the agreed Brexit deal, potentially breaking international law.
- 2.2 The Bank of England (BoE) has maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.
- 2.3 Government initiatives continued to support the economy, with the furlough (Coronavirus Job Retention) scheme keeping almost 10 million workers in jobs, grants and loans to businesses and 100 million discounted meals being claimed during the 'Eat Out to Help Out' (EOHO) offer.
- 2.4 GDP growth contracted by a massive 19.8% (revised from first estimate -20.4%) in Q2 2020 (Apr-Jun) according to the Office for National Statistics, pushing the annual growth rate down to -21.5% (first estimate -21.7%). Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.
- 2.5 The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August,

further below the Bank of England's 2% target, with the largest downward contribution coming from restaurants and hotels influenced by the EHO scheme. The Office for National Statistics' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y.

- 2.6 In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms (0.2% regular pay) and was down 1.8% in real terms (-0.7% regular pay). Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.
- 2.7 The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime. The move is to a more flexible form of average targeting which will allow the central bank to maintain interest rates at low levels for an extended period to support the economy even when inflation is 'moderately' above the 2% average target, particularly given it has been below target for most of the last decade. The European Central Bank maintained its base rate at 0% and deposit rate at -0.5%.
- 2.8 **Financial markets:** Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak, albeit that performance being driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of their losses at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.
- 2.9 Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June-September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%. 1-month, 3-month and 12-month bid rates averaged 0.02%, 0.06% and 0.23% respectively over the period.

At the end of September, the yield on 2-year US treasuries was around 0.13% while that on 10-year treasuries was 0.69%. German bund yields remain negative across most maturities.
- 2.10 **Credit review:** Credit default swap spreads eased over most of the period but then started to tick up again through September. In the UK, the spreads between ringfenced and non-ringfenced entities remains, except for retail bank Santander UK whose CDS spread remained elevated and the highest of those we monitor at 85bps while Standard Chartered was the lowest at 41bps. The ringfenced banks are currently trading between 45 and 50bps.
- 2.11 There continues to remain much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like. The

institutions on Arlingclose's counterparty list and recommended duration remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

- 2.12 A more detailed economic and interest rate forecast provided by Arlingclose is attached at Annex A.
- 2.13 For the purpose of setting the budget, it has been assumed that new treasury management investments will be made at an average rate of 2.1%, which takes into account strategic fund investments, and that new borrowing in the form of short term loans will be borrowed at an average of 0.20%.

3. Local Context

- 3.1 As at 23rd October 2020 the Authority currently has borrowings of £177m and treasury investments of £64m. This is set out in further detail at **Annex B**. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance Sheet Summary and Forecast

	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m	31.3.24 Estimate £m	31.3.25 Estimate £m
General Fund CFR					
Less: Other long-term liabilities *					
Loans CFR					
Less: External borrowing **					
Internal (over) borrowing					
Less: Usable reserves					
Less: Working capital					
Treasury Investments (or New borrowing)					

* leases and PFI liabilities that form part of the Authority's debt

** shows only loans to which the Authority is committed and excludes optional refinancing

- 3.2 The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.
- 3.3 The Authority has an increasing CFR due to the capital programme and will therefore be required to borrow up to £xxm over the forecast period.
- 3.4 CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Authority's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Authority expects to comply with this recommendation during 2021/22.
- 3.5 **Liability Benchmark:** To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes the same forecasts as table 1 above, but that cash and

investment balances are kept to a minimum level of £20m at each year-end to maintain a core strategic investment.

Table 2: Liability Benchmark

	31.3.21 Estimate £m	31.3.22 Estimate £m	31.3.23 Estimate £m	31.3.24 Estimate £m	31.3.25 Estimate £m
Loans CFR					
Less: Usable reserves					
Less: Working capital					
Plus: Minimum investments					
Liability Benchmark					

- 3.6 Following on from the medium-term forecasts in table 2 above, the long-term liability benchmark assumes capital expenditure funded by borrowing of £xxm a year, minimum revenue provision on new capital expenditure based on a 25 year asset life and income, expenditure and reserves all increasing by inflation of 2.5% a year. This is shown in the chart below.

Chart 1: Liability Benchmark Chart

Latest version to be inserted.

4. Borrowing Strategy

- 4.1 The Authority currently holds loans of £177m. PWLB debt has been reducing by £6m per year whilst cash flow shortfalls caused by internal borrowing and prepayment of the pension fund deficit is being funded through cheaper short term borrowing. The Authority may also borrow additional sums to pre-fund future years' requirements providing this does not exceed the authorised limit for borrowing.
- 4.2 The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.
- 4.3 Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to use both internal resources and to borrow short-term loans instead.
- 4.4 By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Our treasury advisors will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows

additional sums at long-term fixed rates in 2021/22 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

- 4.5 Alternatively, the Authority may arrange forward starting loans during 2021/22, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.
- 4.6 In addition, the Authority may borrow further short-term loans to cover unexpected or planned temporary cash flow shortages.
- 4.7 The approved sources of long-term and short-term borrowing are:
 - HM Treasury's PWLB lending facility (formerly the Public Works Loan Board)
 - UK local authorities
 - any institution approved for investments (see below)
 - any other bank or building society authorised to operate in the UK
 - UK public and private sector pension funds (except Cheshire Pension Fund)
 - capital market bond investors
 - UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues
 - European Investment Bank
 - Salix Finance Ltd energy efficiency loans
- 4.8 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:
 - leasing
 - hire purchase
 - Private Finance Initiative
 - sale and leaseback
- 4.9 The Authority has previously raised the majority of its long-term borrowing from the Public Works Loan Board, but the government increased PWLB rates by 1% in October 2019 making it now a relatively expensive option. A HM Treasury consultation on lowering PWLB rates concluded in July 2020 but the government has yet to publish its response. In the meantime, the Authority will consider long-term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding in line with the CIPFA code.
- 4.10 **Municipal Bond Agency:** UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report.
- 4.11 **LOBO's:** The Authority holds £17m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Authority has the option to either accept the new rate or to repay the loan at no additional cost. All of these LOBO's have options during 2021/22, and although the Authority understands that the lender is unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing

risk. The Authority will take the option to repay LOBO loans at no cost if it has the opportunity to do so.

- 4.12 **Short-term and variable rate loans:** These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below. Financial derivatives may be used to manage this interest rate risk (see section below).
- 4.13 **Debt Rescheduling:** The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Authority may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or reduction in risk.

5. Treasury Investment Strategy

- 5.1 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Authority's investment balance has ranged between £20m and £100m with abnormally high levels as a result of COVID related grants received prior to expenditure. Levels of around £40m are expected to be maintained in the forthcoming year.
- 5.2 The CIPFA Code requires the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Authority will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.
- 5.3 **Negative interest rates:** The COVID-19 pandemic has increased the risk that the Bank of England will set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. Since investments cannot pay negative income, negative rates will be applied by reducing the value of investments. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.
- 5.4 Given the increasing risk and very low returns from short-term unsecured bank investments, the Authority increased its diversification into higher yielding asset classes to £20m with the remaining surplus cash invested for liquidity purposes in short-term unsecured bank deposits, money market funds and with other Local Authorities.
- 5.5 Under the new IFRS9 standard, the accounting for certain investments depends on the Authority's "business model" for managing them. The Authority aims to achieve value from its internally managed treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.
- 5.6 The Authority may invest its surplus funds with any of the counterparties in table 3 below, subject to the cash limits (per counterparty) and time limits shown.

Table 3: Approved Investment Counterparties and Limits

Credit Rating	Banks* Unsecured	Banks* Secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£6m 5 years	£12m 20 years	£12m 50 years	£6m 20 years	£6m 20 years
AA+	£6m 5 years	£12m 10 years	£12m 25 years	£6m 10 years	£6m 10 years
AA	£6m 4 years	£12m 5 years	£12m 15 years	£6m 5 years	£6m 10 years
AA-	£6m 3 years	£12m 4 years	£12m 10 years	£6m 4 years	£6m 10 years
A+	£6m 2 years	£12m 3 years	£6m 5 years	£6m 3 years	£6m 5 years
A	£6m 13 months	£12m 2 years	£6m 5 years	£6m 2 years	£6m 5 years
A-	£6m 6 months	£12m 13 months	£6m 5 years	£6m 13 months	£6m 5 years
None	£1m 6 months	n/a	£12m 25 years	£100,000 5 years	£6m 5 years
Pooled funds & real estate investment trusts		£12m per fund			

*Banks includes Building Societies

- 5.7 **Credit Rating:** Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.
- 5.8 **Banks Unsecured:** Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
- 5.9 **Banks Secured:** Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.
- 5.10 **Government:** Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.
- 5.11 **Corporates:** Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made either following an external credit assessment or to a maximum of £100,000 per company

as part of a diversified pool in order to spread the risk widely. It is unlikely that loans will be made to companies as part of standard treasury management operations. These are more likely to be considered under the Council's separate Investment Strategy.

- 5.12 **Registered Providers:** Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing and, as providers of public services, they retain the likelihood of receiving government support if needed.
- 5.13 **Pooled Funds:** Shares or units in diversified investment vehicles consisting of any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.
- 5.14 Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.
- 5.15 **Real estate investment trusts (REITs):** Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties. Investments in REIT shares cannot be withdrawn but can be sold on the stock market to another investor.
- 5.16 **Operational bank accounts:** The Authority may incur operational exposures, for example through current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept to the lowest practical levels per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Authority maintaining operational continuity.
- 5.17 **Risk Assessment and Credit Ratings:** Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:
 - no new investments will be made,
 - any existing investments that can be recalled or sold at no cost will be, and
 - full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.
- 5.18 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

- 5.19 **Other Information on the Security of Investments:** The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Authority's treasury management advisor. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may otherwise meet the above criteria.
- 5.20 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.
- 5.21 **Investment Limits:** The Authority's revenue reserves available to cover investment losses are forecast to be £102m on 31st March 2021. In order that no more than 6% of available reserves will be put at risk in the case of a single default, the maximum that will be lent unsecured to any one organisation (other than the UK Government) will be £6m. Secured investments will have a higher limit of £12m per organisation. A group of banks under the same ownership will be treated as a single organisation for limit purposes. The limits on fund managers, investments in brokers' nominee accounts and Real Estate Investment Trusts (REIT's) are higher as the investment is diversified over a greater range of counterparties within those funds. These funds are generally held to generate higher on-going returns but with a long term view on the value of the fund which may fluctuate significantly; e.g. REIT's underlying value will reflect the property market movements in whichever sector or geographic region in which that REIT operates. For foreign countries and other sectors with a total limit, the individual organisation limits still apply. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Table 4: Investment Limits

Type of Counterparty	Cash limit
Any single organisation, except the UK Central Government	£12m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£12m per group
Any group of pooled funds under the same management	£25m per manager
Negotiable instruments held in a broker's nominee account	£25m per broker
Foreign countries	£12m per country
Registered Providers and Registered Social Landlords	£25m in total
Unsecured investments with Building Societies	£12m in total
Loans to unrated corporates	£12m in total

Money Market Funds	£12m in each (£50m in total)
Real Estate Investment Trusts	£25m in total

- 5.22 **Liquidity management:** The Authority maintains a cash flow forecasting model to determine the maximum period for which funds may prudently be committed. Limits on long-term investments are set by reference to the Authority's medium term financial plan and cash flow forecast.

6. Treasury Management Indicators

- 6.1 The Authority measures and manages its exposures to treasury management risks using the following indicators.

- 6.2 **Interest Rate Exposures:** This indicator is set to control the Authority's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest Rate Risk Indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£545,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£0

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates. The Council is expected to remain a net borrower in 2020/21 so a fall in rates would lead to savings rather than incurring additional cost.

- 6.3 **Maturity Structure of Borrowing:** This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of borrowing will be:

Refinancing rate risk indicator	Upper	Lower
Under 12 months	70%	0%
12 months and within 24 months	35%	0%
24 months and within 5 years	35%	0%
5 years and within 10 years	75%	0%
10 years and within 20 years	100%	0%
20 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment. The upper limit for loans maturing in under 12 months is relatively high and has been increased to 70% from 50% as there is no shortage of liquidity in the market and short term funding is currently considerably cheaper than alternatives. This will enable the Council to finance temporary cashflow shortfalls at year end more economically. This will be kept under review as it does increase the risk of higher financing costs in the future.

- 6.4 **Principal Sums Invested for Periods Longer than 364 days:** The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end will be:

Price Risk Indicator	2020/21	2021/22	2022/23
Limit on principal invested beyond year end	£25m	£15m	£10m

- 6.5 The Authority has not adopted the voluntary disclosures on security of investments or liquidity.
- 6.6 Security of investments can be measured by the credit rating assigned to the counterparty but for many of our investments (principally other Local Authorities and strategic high yielding funds) there is no assigned credit rating. Also the credit rating assigned to Money Market Funds is typically AAA but the underlying investments are considerably lower. Any measure adopted would therefore add little value.
- 6.7 Liquidity is a self imposed measure generally on the minimum value of funds which the Council must keep as being immediately available in order to meet unexpected payments. Alternatively a measure linked to borrowing may be considered. In practice the Councils cash varies throughout the year meaning that at certain times the focus of liquidity is on investments and at other times on borrowing. Setting a minimum amount to hold for liquidity purposes may mean that the Council has to borrow unnecessarily to cover short periods. For example if a liquidity limit of £10m is set and cash is predicted to fall to say £4m for a few days we would have to borrow the additional £6m usually at a slightly higher cost than we receive for investment due to commissions payable. In the unlikely event that an unexpected payment would result in a need to borrow then availability of funds from inter LA markets is high and borrowing would be limited to need. Cash flow forecasting is carried out daily thereby allowing any borrowing to be planned and limited to need.
- 7. Other Items**
- 7.1 The CIPFA code requires the Authority to include the following in its treasury management strategy.
- 7.2 **Policy on Use of Financial Derivatives:** Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. LOBO loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).
- 7.3 The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.
- 7.4 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.
- 7.5 In line with the CIPFA code, the Authority will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.
- 7.6 **Markets in Financial Instruments Directive:** The Authority has opted up to professional client status with its providers of financial services including advisers, banks, brokers and

fund managers, allowing it to access a greater range of services without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Authority's treasury management activities, this seems to be the most appropriate status.

8. Financial Implications

- 8.1 Anticipated investment income in 2021/22 is £840,000, based on an average investment portfolio of £40 million at an interest rate of 2.10%. The budget for debt interest paid in 2021/22 is £3.9 million, based on an average debt portfolio of £278 million at an average interest rate of 1.40%. If actual levels of investments and borrowing, and actual interest rates differ from those forecast, performance against budget will be correspondingly different.

DRAFT

Annex A - Arlingclose Economic & Interest Rate Forecast (to be updated)

The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The global central bank and government responses have been significant and are in many cases on-going, maintaining more stable financial, economic and social conditions than otherwise. This has supported a sizeable economic recovery in Q3.

However, the scale of the economic shock to demand, on-going social distancing measures, regional lockdowns and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.

Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Arlingclose expects Bank Rate to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While Arlingclose's central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

Downside risks remain in the near term, as the government dials down its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Official Bank Rate													
Upside risk	0.00	0.00	0.00	0.15	0.15	0.15	0.15	0.30	0.30	0.30	0.30	0.30	0.30
Arlingclose Central Case	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Downside risk	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50

Annex B

Existing Investment & Debt Portfolio Position

	23/10/20 Actual Portfolio £m	23/10/20 Average Rate %
External Borrowing:		
PWLB - Fixed Rate	62	4.44%
Local Authorities	74	0.65%
LOBO Loans	17	4.63%
Other	1	-
Total External Borrowing	154	2.61%
Other Long Term Liabilities:		
PFI	22	-
Finance Leases	1	-
Total Gross External Debt	177	-
Treasury Investments:		
<i>Managed in-house</i>		
Short-term investments:		
Instant Access	38	0.04%
Notice Accounts	6	0.57%
<i>Managed externally</i>		
Multi Asset Fund	5	4.92%
Property Funds	8	3.61%
Equity Fund	2	6.04%
Global Income Fund	4	5.07%
Corporate Bond Fund	1	3.18%
Total Investments	64	1.47%
Net Debt	113	-

Annex C - MRP Statement 2021/22

Where the Authority finances capital expenditure by debt, it must put aside resources to repay that debt in later years. The amount charged to the revenue budget for the repayment of debt is known as Minimum Revenue Provision (MRP), although there has been no statutory minimum since 2008. The Local Government Act 2003 requires the Authority to have regard to the Ministry of Housing, Communities and Local Government's *Guidance on Minimum Revenue Provision* (the MHCLG Guidance) most recently updated in 2018.

The MHCLG Guidance requires the Authority to approve an Annual MRP Statement each year, and recommends a number of options for calculating a prudent amount of MRP. The following statement incorporates options recommended in the Guidance.

- For capital expenditure incurred before 1st April 2008 and for supported capital expenditure incurred on or after that date, MRP will be charged at 2% annuity rate over a 50 year period.
- For capital expenditure incurred after 31st March 2008, MRP will be determined by charging the expenditure over the expected useful life of the relevant assets, as the principal repayment on an annuity rate of 2%, starting in the year after the asset becomes operational. MRP on purchases of freehold land will be charged over 50 years. MRP on expenditure not related to fixed assets but which has been capitalised by regulation or direction will be charged over 20 years.

(Option 3 in England and Wales)

- For assets acquired by finance leases or the Private Finance Initiative, MRP will be determined as being equal to the element of the rent or charge that goes to write down the balance sheet liability.
- For capital expenditure loans to third parties that are repaid in annual or more frequent instalments of principal, the Council will make nil MRP, but will instead apply the capital receipts arising from principal repayments to reduce the capital financing requirement instead. In years where there is no principal repayment, MRP will be charged in accordance with the MRP policy for the assets funded by the loan, including where appropriate, delaying MRP until the year after the assets become operational.
- Capital expenditure incurred during 2021/22 will not be subject to a MRP charge until 2022/23.

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Key Decision Y
Date First
Published: >

Cabinet

Date of Meeting: 10 November 2020

Report Title: Covid-19 – Update on Response and Recovery

Portfolio Holder: Cllr Sam Corcoran - Leader of the Council

Cllr Craig Browne - Deputy Leader of the Council

Senior Officer: Lorraine O'Donnell - Chief Executive

1. Report Summary

- 1.1. Cabinet have received reports in June, July, September and October on how the Council, working with its partners, continues to respond to the COVID-19 pandemic and plan for the recovery from it.
- 1.2. This report provides a further update of the work undertaken in response to this national and international public health emergency since the October report.
- 1.3. The report also summarises the latest information on infection rates and local measures instigated as a result. The recent assignment of Cheshire East as a Tier Two or high-level alert area is also described.
- 1.4. The financial impact of the pandemic on the council continues to be significant. The report provides a further update, which will also be of interest to the Corporate Overview and Scrutiny and the Audit and Governance Committees.
- 1.5. The most recent additional costs associated with the surge in infection rates, Tier Two measures, local contact tracing and free school meals for October half term are not yet included in the financial implications section.
- 1.6. It is important to note that there will be other new developments following the publication of this report. Verbal updates will be given at the meeting, as appropriate.

2. Recommendations

2.1.1. That Cabinet notes the issues outlined in the report.

3. Other Options Considered

3.1. Not applicable.

4. Background

4.1. Since the last WHO Weekly Epidemiological Update issued on 5 October, over 2.2 million new cases and 39,000 deaths of COVID-19 have been reported across all six WHO regions. This is the highest number of reported cases so far in a single week.

4.2. From 30 December 2019 through 11 October 2020, over 37 million COVID-19 cases and 1 million deaths have been reported globally. Nearly half of these cases (48%) and deaths (55%) continue to be reported in the Region of the Americas with the United States of America, Brazil and Argentina accounting for the greatest numbers of new cases and deaths in the region. (Source WHO)

4.3. The latest international, national and local statistics are available from the following data dashboards:

4.4. <https://covid19.who.int/>

4.5. <https://coronavirus.data.gov.uk/>

4.6. In England, the Department of Health and Social Care report that there has been an average of 12,545 new cases over the last seven-day period (as at 15 October) with a high number of cases in the North of England, particularly in Merseyside, Greater Manchester, Lancashire and the North East.

4.7. The UK Government has introduced a new scheme of measures to address the different rates of infection in different local authority areas. The three-tier rating escalates restrictions from medium to very high. Cheshire East has been initially assigned to Tier Two (High) whereas the Mersey City Region, Greater Manchester and now Warrington have been assigned to Tier Three (Very High). It is also influenced by the admission rate to local hospitals of patients with serious illness due to COVID-19. Details of the Government's new Tier ratings is available at:

<https://www.gov.uk/guidance/local-covid-alert-levels-what-you-need-to-know>

4.8. The respective administrations of Northern Ireland, Scotland and Wales have or are introducing measures appropriate to their country's circumstances.

- 4.9. In terms of the daily confirmed cases, in the last full week of data, 626 people in Cheshire East have tested positive (as at 15 October 2020). This figure compares to the 95 people who in the last Cabinet report were recorded as testing positive. The local infection rate was recorded as 164.7 per 100,000 population. This compares to an average of 19.7 new cases per week for the month of July.
- 4.10. Within Cheshire East the current data indicate that the highest rises in infection rates continue to be within the younger adult population. Steeper rates are being seen within the 17-18 year old and the 19-21 cohorts however we continue to see infections amongst the 20-40 year old age group. Whilst we are seeing cases of COVID infection linked to schools, initial analysis appears to indicate that most transmission of infection has occurred in social or household settings. Care homes continue to be a focus for infection prevention and control and the weekly testing of staff continues and this is helping to detect potential sources of infection transmission at an earlier stage.
- 4.11. Since the last report to Cabinet national testing capacity has improved. This change is due to additional laboratory capacity coming on stream. Whilst access to testing is still controlled nationally our local monitoring of testing demand indicates that local residents are not experiencing the problems of accessing tests locally. A significant factor has been the deployment of a Local Testing site in Crewe that is open seven days a week from 8am-8pm. A second local testing site is under consideration for Macclesfield on the site of a former vehicle depot.
- 4.12. The Government has acknowledged that the national contact tracing system that is coordinated by Serco is not achieving the level of follow up required. Following the introduction of its new Tier system the Government has written to all Tier Two Local Authorities to advise them of the additional funding being made available to them to enhance the local Test and Trace Programme. For High Risk areas such as Cheshire East the allocation is £3 per head of population. This funding is a non-recurrent allocation.
- 4.13. Financial support for Local Authorities at Local COVID Alert Level Medium and High is to fund the following activities:
- a. Targeted testing for hard-to-reach groups out of scope of other testing programmes.
 - b. Additional contact tracing.
 - c. Enhanced communication and marketing e.g. towards hard-to-reach groups and other localised messaging.
 - d. Delivery of essentials for those in self-isolation.
 - e. Targeted interventions for specific sections of the local community and workplaces.

- f. Harnessing capacity within local sectors (voluntary, academic, commercial).
- g. Extension/introduction of specialist support (behavioural science, bespoke comms).
- h. Additional resource for compliance with, and enforcement of, restrictions and guidance.

5. Response

5.1. Sub-regional

- 5.1.1. The sub-regional response continues to be led by the Cheshire Local Resilience Forum (LRF), which includes Cheshire East, Cheshire West and Chester, Halton and Warrington Councils, Cheshire Constabulary, Cheshire Fire and Rescue, Public Health England and the NHS.
- 5.1.2. The Council is a major LRF partner and continues to play a significant role at all levels of response – participating in the strategic coordinating groups (SCG) and tactical coordinating groups (TCG) and resourcing all the multi-agency support cells established to manage the sub-regional response to the pandemic.
- 5.1.3. Owing to the latest position regarding the pandemic as outlined in section 4 above, the rhythm of these meetings has been adjusted with the two meetings taking place each week. This rhythm is reviewed each week in line with the nature and risks associated with the pandemic.

5.2. Council Actions

- 5.2.1. Cheshire East Council continues to respond to the Coronavirus pandemic. At the same time the Council has continued to strive to:
 - deliver essential local services
 - protect our most vulnerable people
 - support our communities and local businesses.
- 5.2.2. The Council had been actively planning for potential second waves of the pandemic and/or localised outbreaks. A summary of the actions that have continued to be delivered by the Council is provided below.
- 5.2.3. *Test and Trace and Outbreak Management* – With the rise in infections within the region and locally, greater demand is being placed on the national contact tracing system and the joint Cheshire and Merseyside Response Hub. All local authorities are being asked to take on “Locally

Supported Contact Tracing”. Cheshire East officers are in contact with colleagues in areas where this approach has been adopted and have been advised of the significant burden that this role places on local teams. Whilst the national contact tracing service has indicated that it will transfer resources to enable local authorities to take on this new role, limited details have been provided regarding the financial and staff resources that will be allocated to each local authority. Planning is under way in preparation for the local authority being required to take on this additional role. This is likely to require the redeployment of existing resources.

- 5.2.4 Whilst an effective vaccine has yet to be manufactured for population usage local authorities are being asked to assist the NHS to develop their plans for conducting mass vaccination. Cheshire East Council staff are working closely with Clinical Commissioning Group and Cheshire West and Chester Council colleagues to identify possible locations for delivering the core programme and localised programmes for those unable to attend the core centres.
- 5.2.5 Cheshire East Staff continue to work with statutory sector partners in relation to infection prevention and control interventions and these activities are being updated in the light of the introduction of the Government’s new Three Tier measures.
- 5.2.6 *Communities - People Helping People* is a service created by Cheshire East Council which works collaboratively with new and existing Voluntary, Community, Faith and Social Enterprise (VCFSE) sector partners and local volunteers to channel community-based support to meet the needs of our residents. The service is delivered for the local community, by the local community. To date the service has provided support to over 3,700 residents with 250 active cases still receiving support. This service has been instrumental in reducing demands and work is now underway to embed this into the Communities Team recovery planning, fully utilising volunteers to support people to keep safe and well at home. Key activities within the Communities Team include:
 - New guidance for the Clinically Extremely Vulnerable (CEV) was published on 13 October. The guidance is linked to the Local COVID Alert Levels and provides advice at each Alert Level (Medium, High, Very High and if ‘Shielding’ were reintroduced). Contingency planning has been updated to reflect the new guidance for any required contact and additional support which will be

provided through People Helping People if shielding is re-introduced locally.

- leading on the 'high risk places, location and communities' and 'vulnerable people' workstreams of the Test, Trace, Contain and Enable plan.
- Social Action Partnership have developed 15 Volunteer Coordination Points (VCPs) which are providing that support.

5.2.7 The Covid-19 Community Response and Recovery Fund which was launched at the end of June 2020 has since provided funding to 47 successful applicants, totalling just over £208,000. This fund was also bolstered with an additional £246,000 with DEFRA funding to support vulnerable people around food poverty and accessing essential supplies.

5.2.8 *Adult Social Care* - The Commissioning Team have provided significant support for the Adults Social Care Market during the Covid-19 pandemic to ensure market stability and the safe service delivery and provision of care for the residents of Cheshire East. This includes Care Homes, Care at Home (Domiciliary Care), Complex Needs, Extra Care Housing and Supported Living schemes. Continued actions are set out below.

5.2.9 Infection Prevention Control training has now been delivered to all care providers in the Borough.

5.2.10 To date, care homes have received £3.8 million of funding from the Government's Infection Control Fund to support with workforce resilience and isolation measures. A further £378k has been distributed to Care at Home and complex care providers to ensure that staff are able to receive their full wages while sick or self-isolating due to Covid-19. Cheshire East received the first tranche of funding from Round 2 of the Infection Control fund on 2 October 2020. The total funding allocation (tranche 1 and 2) for the Borough is £4.71 million. In accordance with the guidance, 80% of the funding has been distributed to eligible care homes and community care providers in Cheshire East. With regard to the 20% discretionary element of the funding, the Council has decided to also pass this directly to local care homes and community care providers for infection control and workforce resilience, with a small percentage of this (5%) retained in the first instance for contingency purposes.

- 5.2.11 All care homes have an Infection Prevention Control Outbreak Plan supported by an Outbreak Management Toolkit issued by the Council. These can be quickly stepped up in the event of an outbreak and appropriate support put in place from the Infection Prevention and Control service and the Council's Quality Assurance team.
- 5.2.12 Officers are also working with care providers to ensure that their staff and care home residents are able to access flu vaccinations to ensure that there is resilience in the care workforce.
- 5.2.13 Monthly care home webinars have been set up in partnership with Cheshire CCG for care home providers with themed agendas such as Winter Planning, infection control, digital services etc. The first webinar was scheduled for Thursday 15th October and will focus on Infection Prevention Control and flu vaccination.
- 5.2.14 Weekly mutual aid calls have been reinstated for Care at Home providers. These now include guest expert speakers and offer an opportunity for providers to work together to develop collective solutions to common problems.
- 5.2.15 iPads are being made available to care homes who successfully apply to enable residents to stay in touch with their loved ones and facilitate GP consultations.
- 5.2.16 Whole home testing continues with care home residents and staff. This has proved effective in identifying asymptomatic staff members at an early stage enabling them to self-isolate to prevent onward transmission in the care home. Whole home testing is now being rolled out to local Extra Care Housing and Supported Living Schemes as part of a national pilot.
- 5.2.17 The Quality Assurance Team continue to undertake weekly contact calls to all care homes across the Borough. The purpose of this contact call is to seek assurance of the effective ongoing safe service delivery.
- 5.2.18 PPE support has been key to our Covid-19 response and recovery. The position changes rapidly but the current position at the time of writing is as follows:
- The Local Authority have been supplied with PPE via the Local Resilience Forum (LRF) and the Department for Health and Social Care (DHSC) since the 24 March 2020. The Council have distributed PPE to eligible organisations across Cheshire East.

We have been notified that this will be reviewed, and changes will be implemented in August and September period.

- All registered adult social care providers, opticians, pharmacists and urgent dental care have now been requested to register on to the government PPE Portal to continue to access free supplies. Orders are subject to limits according to capacity. Providers are asked to continue to develop their own supply chain. However, it is widely recognised that PPE market has not recovered from the impact of Covid-19.
- To ensure all agencies are supported and services are able to deliver safe care to local residents, as well as protecting the care workforce, we are currently reviewing various options and opportunities to support external Care Providers to access PPE in emergencies or when they have issues with their PPE supply chain.
- A stock has been locally purchased as part of the Council's recovery and outbreak planning, and we will continue to receive LRF PPE supplies on a fortnightly basis until March 2021 to support Local Authority, people in receipt of direct payment and all educational settings.
- A survey will be distributed to Care Providers to fully understand the impact of COVID-19 re PPE, current needs and issues.

5.2.19 *Adults and Children's Commissioning* - Commissioners have worked closely with our 'Early Intervention and Prevention,' 'Community Wellbeing' and 'Public Health' contracted providers which have adapted but continued to deliver effective services during the Covid-19 Pandemic. Contingency Plans were implemented straight away with recovery Plans in place, commissioners are working with providers to re-instate contingency plans were needed in line with local tier restrictions. Examples of recovery plans include: Substance Misuse Services, Healthy Child Programme, Social Action Partnership and the Carers Hub. The Social Action Partnership is a new service that went live on the 1st April 2020 during the Covid-19 pandemic.

5.2.20 *Children's Services* – At the time of writing, new legislation on the tier system had just come into force, along with new DfE guidance, and we were reviewing the implications of this for all our services.

5.2.21 *Children's Social Care* – We are now seeing the rise in contacts and referrals to Children's Social Care that we predicted as a result of Covid-19. This is resulting in social workers' caseloads being higher than we would want them to be, although we do have a clear plan in place to reduce this. We have asked the safeguarding partnership to

support with this by partner agencies leading cases that are able to step down to prevention and early help, to prevent families experiencing statutory intervention for longer than they need to. We are working closely with the partnership to ensure that key services are maintained should stricter restrictions be implemented, to ensure that children, young people and their parents/ carers can still access the support they need, and to avoid the increase in need we have seen as a result of the initial lockdown. We will be continuing to conduct face to face visits to family homes to ensure we are effectively safeguarding children and young people.

5.2.22 We expect to receive an inspection of local authority Children's Services (ILACS) very soon and are preparing for this new type of inspection, which will focus on the quality and impact of decision making for children and young people during the pandemic.

5.2.23 We launched our new fostering brand on 1st October – Together for Fostering. At the time of writing, less than two weeks since the launch, we have already received 12 enquiries which is very positive. A direct maildrop will be carried out to all households in Cheshire East – residents will receive a postcard on fostering and what to do if you want to become a foster carer. 12 potential carers are currently in assessment. New foster carers will enable us to meet more children and young people's needs closer to home, so they can stay connected with the people who are important to them and their communities. We would like everyone to promote our campaign and spread the word to the people they know who would make great carers for our children and young people.

5.2.24 My CWA, a partnership formed with Cheshire East Council which tackles domestic abuse in our borough, have won a national award for their fantastic work from the Centre for Social Justice.

5.2.25 *Prevention and Early Help* – As reported previously we are continuing to see the needs of families increasing, alongside an increase in referrals. We have brought in additional capacity to support the Family Service to meet this increase in demand on a temporary basis to ensure children and young people are safe, and where possible prevent families from needing to escalate into a statutory social care service. We are continuing to monitor this closely as we move forward with increased evidence of poor mental health, neglect and pressurised households emerging in terms of needs.

- 5.2.26 We have now achieved 99% of our early years settings opening after the initial lockdown period and 96% of Childminders open for business. However, there have been positive Covid cases within our early years settings (mainly relating to staff), and for some this has meant they have needed to close for the two week isolation period. A dedicated email support line and follow up calls are in place providing specific Public Health advice to effected settings which is working well.
- 5.2.27 We continue to be concerned about the opportunities for our young people as they move into adulthood. We ran a Not in Education, Employment or Training (NEET) summit at the end of September where training providers, colleges and young people who are NEET informed the development of our NEET offer going forward. Alongside a range of other actions, we agreed that services and providers will meet regularly to problem solve issues for complex cases and individual young people, which will support effective sharing of options available to move into training and employment – including kick start opportunities. We will also be working together with the Job Centre to hold a virtual job fair for NEET young people in January.
- 5.2.28 *Education and Skills* – Over 53,319 pupils (88%) are now attending our schools (as at 15 October). Our attendance has remained high and is above national, statistical neighbours, and the North West average, which demonstrates that the preparations we have made have been effective in gaining parental confidence. This is despite an increasing number of pupils isolating due to positive Covid test results in schools. We currently have 3,392 pupils not attending schools as they are isolating either due to Covid symptoms, testing positive for Covid or having been in close contact with a person who has tested positive. Attendance of pupils with an Education, Health and Care Plan and pupils with a social worker also remains good at 87% and 88% respectively.
- 5.2.29 We have seen an increase in parents expressing an interest in electively home educating their child which we expected and is being seen nationally. We have received 111 applications, which is high compared with previous years, but currently only 16 parents have deregistered following meetings with the school and local authority to understand what is expected if they home educate. This is compared with 18 applications last year when all 18 deregistered. A clear process is in place to ensure parents and carers are supported and the decision to electively home educate is in the best interest of the child or young person.

- 5.2.30 We are continuing to provide intensive support to schools around how to implement the DfE guidance to ensure we have a consistent and safe approach across all schools, including around the new changes as a result of the tier system.
- 5.2.31 We have worked with Public Health to produce guidance to support schools when children or staff develop Covid-19 symptoms, including additional guidance on school bubbles to keep the number of pupils required to isolate to a minimum. We have created a dedicated Education Covid Response Team which came into effect at the end of September. This Team runs a helpline from 8am to 8pm weekdays and weekend and responds to reports from schools on positive cases, and offers advice and guidance on the appropriate measures and pupil isolation. This is ensuring we are both supporting schools and have a consistent approach across Cheshire East. The helpline has received very positive feedback from schools. Workers within other services, such as Children's Social Care, the Family Service, and Special Educational Needs and Disabilities, are being notified when pupils are isolating so they are aware and can support families.
- 5.2.32 Since the beginning of September the Education Covid Response team has supported 111 settings with positive cases in 72 settings.
- 5.2.33 We are providing daily reports on cases to the DfE. As at 13 October, there were 44 settings with positive cases, affecting 3,392 pupils and 142 staff. We are tracking the Covid cases in schools. To date, transmissions have not been linked to schools and are linked to home or social mixing outside of school.
- 5.2.34 To increase safety for pupils, drivers and staff, we have now made wearing a face covering compulsory for all pupils aged 11 and over, and drivers, on school transport. We are also encouraging schools to ask parents and carers to wear face coverings when dropping off or collecting pupils from school to help to reduce transmission where there are larger numbers of people gathering. As we have moved into a High Local Covid Alert Level, DfE guidance has been updated for high schools that adults and pupils should wear face coverings when moving around the premises, outside of classrooms, such as in corridors and communal areas where social distancing cannot easily be maintained.

- 5.2.35 The Department of Health and Social Care will be providing free PPE for education settings up to March 2021. We are currently organising packs to go out to schools.
- 5.2.36 From 22 October, schools must provide immediate access to remote learning to any pupils who can't attend school due to Covid-19. This includes where a class, group or a small number of pupils need to self-isolate, or local restrictions require pupils to remain at home. The DfE has put funding in place to support schools to access and set up a digital online platform through Microsoft or Google. These platforms can help to connect teachers and pupils when access to face-to-face education is disrupted. We have circulated a summary of all learning and training opportunities on remote learning to schools.
- 5.2.37 Ed Tech have been commissioned by the DfE to support schools in use of technology. We have arranged briefings for our schools delivered by Ed Tech week commencing 19 October.
- 5.2.38 We have 22 schools who are eligible to access academic mentors to support vulnerable children. We organised training for these schools week commencing 12 October. The schools have now registered and will be allocated mentors through Teach First. Teach First deliver this programme on behalf of the DfE. In addition, we are about to launch a programme to support 40 schools focused of supporting disadvantaged pupils.
- 5.2.39 On 12 October, the Secretary of State for Education announced that the summer exam series will be delayed by three weeks, giving students more time to prepare for their exams. Exams will begin on 7 June and end on 2 July for almost all A and AS Levels and GCSEs. Further details are expected to be published later in autumn.
- 5.2.40 Ofsted commenced visits to schools (not inspections) from 28 September. The visits will usually last for one day. Ofsted are planning to visit 5% of schools this term. We organised two sessions for schools ran by Ofsted in September to explain the arrangements and scope for these visits, which over 90 schools attended. Two schools in Cheshire East that have received a visit have shared their experience with our other settings.
- 5.2.41 We are launching our Wellbeing in Education Programme which will start in November. Each school will receive two training sessions which aim to empower key staff with knowledge, understanding and clear

strategies, so that they can use these to influence school/college policy, procedures and responses in regard to supporting and enhancing wellbeing and resilience for all. This is a national training programme which we have tailored to meet our local needs.

5.2.42 *Homelessness and Rough Sleepers* – Cheshire East's Housing Options Team continue to work to prevent residents from becoming homeless and provide assistance to those who present as homeless. The number of rough sleepers varies between 3–10 some of which are transient and do not wish to stay in Cheshire East. The Rough Sleepers Team continue to work proactively with them where they wish to engage with services.

5.2.43 *Town Centres* - The Council is now receiving monthly data on visits to town centres in the Borough and indicates that the number of visits to the town centres has been impacted less severely than the UK benchmark.

5.2.44 Visits to centres in September range from -23% to +17% when compared to September last year. This is against a national benchmark of -35%. This indicates that the footfall levels overall are better than the national average and for some towns the number of visits have actually increased. The data company has confirmed that the upturn in footfall in some towns is by no means unique to the Borough. Changes in centres being visited may be a result of people travelling less and visiting centres more local to their homes.

5.2.45 Notwithstanding this comparable position with the national average we recognise the importance of continuing to support the hospitality, retail and leisure sectors in each of towns over the coming months. We will therefore continue to provide support and put out communications to remind people that the town centres are still open for business albeit with restrictions in place. Section 6.3 provides further information about the support we are providing to all local businesses during this time.

5.2.46 *Enforcement* – The Council is undertaking a range of compliance and enforcement activities to ensure local businesses are Covid-secure and complying with the relevant restrictions to control the spread of COVID-19, in particular within the hospitality industry. We have adopted an agreed and consistent approach with local authority partners and the Police across the Cheshire Resilience Forum, engaging, explaining and encouraging first, with enforcement the last resort for significant or regular breaches. The approach involves responding to complaints

from the public, intelligence from partners, or businesses seeking advice. A COVID-secure checklist is also completed when any business is contacted or visited as part of a regular inspection programme, such as Food Safety.

- 5.2.47 Council Officers have undertaken visits on Friday and Saturday evenings across a number of towns in partnership with the Police. There has been a good level of compliance and businesses have been reassured that they are doing the right things. Further visits are planned.
- 5.2.48 The Council has been allocated £158,572 of the £60m surge enforcement funding provided to local authorities and the Police to support additional compliance and enforcement activity to support communities to understand and comply with the local and national restrictions and regulations.
- 5.2.49 *Highways, Transport & Parking* – All highway maintenance operations and improvement projects continue to be delivered and are following Government COVID guidelines. Adjustments to working practices have been implemented and plans are in place for running this season's winter operation covering the same network as last year. There is a higher level of works activity than normal being managed on the highway network covering both the Council's maintenance programme and schemes of the utility companies. Most recently traffic flows have fallen back to around 80% of pre COVID levels. Usage levels have stabilised at mid September levels and data is awaited to see whether the recent news on the pandemic will start to affect use and duration of stays at council car parks.
- 5.2.50 The two phase programme of active travel measures continues to progress across the borough following considerable engagement from community groups, local ward councillors and town and parish councils. Phase one measures are due to complete by the mid November. A government funding decision is awaited for the commencement of phase two, with a slight delay announced to give consideration to the guidelines to local authorities.
- 5.2.51 The local bus network has sustained services at around 85% pre COVID and the Council's FlexiLink is still in operation. Both are running at patronage levels at around 30% of pre COVID levels, which means the services are still heavily dependent on the continued central and local funding support.

- 5.2.50 *Workforce and Workplace* - Those staff who can work from home were encouraged to do so when the lockdown was introduced in March. That has continued to be the case as the situation has evolved. We have made a significant investment in mobile IT to allow staff to operate as effectively remotely. However, to support services who need more flexibility to continue to deliver services while still working under COVID-19 restrictions, we have introduced team zones which allocated spaces within our buildings that will be carefully managed by heads of service. We continue to communicate with staff on a regular basis and have had positive feedback on this.
- 5.2.51 Frontline staff continue to deliver services with adjustments to working practices in line with the COVID guidelines to ensure they are protected from the virus as far as practicable. In some areas this has added to the cost of running the service, with the purchase of additional PPE and vehicles for example. Staff also continue to work flexibly and divert from their normal duties to support the Council's varied roles on COVID.
- 5.2.52 We are continuing to monitor COVID-19 related absences on a regular basis, including the numbers of staff self-isolating and/or off sick. As at 16 October 2020, there are currently 38 staff self-isolating, 99 off sick, 2210 staff working from home and 268 on leave. The enduring nature of the pandemic is leading to increased feedback from staff about fatigue. We are encouraging staff to take leave and making available a range of well-being support.
- 5.2.53 *Governance and Decision Making* - The Council moved quickly to facilitate remote meetings. All Members were provided with laptops and support to operate effectively. Formal meetings are taking place remotely as standard now, including our first remote Council meeting which was held on 21 October. A recent survey of Members, overseen by the Members Forum, has gathered helpful feedback on the use of the technology. Members have responded positively to the changes and the support they have received. Advice and guidance has been provided in terms of accessing office buildings, risk assessment and adapting to remote working on a longer term basis.

6 Recovery

- 6.1 Cheshire East Council continues to lead and support the Local Resilience Forum in developing its future planning for the recovery from this pandemic. The Strategic Co-ordinating Group of the LRF has established a Strategic

Recovery Co-ordinating Group leading on this Recovery. This is chaired by the Chief Executive of Cheshire East Council and includes senior colleagues from local authorities, the NHS, Public Health, Police and Fire.

6.2 Since the last report the Strategic Recovery Co-ordinating Group has undertaken an exercise to support planning for the winter months with a particular focus on the potential cumulative impacts of Covid-19, Winter Pressures, Adverse Weather and EU Exit. Plans have therefore been developed to provide assurance regarding:

- Winter planning for health and social care
- Planning for potential future local outbreaks
- Contingency plans for relating to adverse weather including flood events so that the responses can be managed in a Covid secure manner and to provide resilience to key services such as education and health
- Impact assessments to inform contingency planning relating to EU exit including the potential impacts on local communities, households, the local economy, key infrastructure, supply of essential items including food, council services and its providers.

6.3 The Council continues to anticipate and prepare for the longer-term impacts of the Pandemic:

6.3.1 *Community* - the Council and its partners anticipate that there will be significant long-term impacts on communities in Cheshire East. For example, there is expected to be a significant increase in unemployment and reduction in household income. It is expected that services will see an increase in demand as referrals increase in relation to safeguarding, domestic abuse and social care support. The council, working with its partners will be ensuring that it continues to support vulnerable people as well providing appropriate support in relation skills, employability, mental health and personal resilience.

6.3.2 *Economy* - Cheshire East Council continues to work with local businesses and business organisations (including Chambers of Commerce, Cheshire and Warrington Local Enterprise Partnership, Federation of Small Businesses and National Farmers Union) to channel business-based support to meet local need and to enable businesses to support each other. The Council has established the Cheshire East Business Forum, which meets monthly and provides a useful platform for the exchange of information and discussion of key topics and issues for the Borough which will, in turn, help us to better

understand the impacts of Covid-19 on our business community, mobilise and direct resource as appropriate. The Council is re-launching our 'Business Helping Business' initiative so that businesses can outline how they can help with our economic, social, health and environmental recovery objectives. Other businesses that need help, can also use it to provide details of their support requirements and officers in the Economic Development service will connect businesses in need with those that can help.

- 6.3.3 In response to these issues the council and its partners have started to put measures in place to support people as they face unemployment. This includes a job matching service which sign post jobs that are available, the running of jobs fairs and the provision of skills training, work experience and apprenticeships.
- 6.3.4 The Council is working very closely with the Cheshire & Warrington LEP to plan and deliver a series of virtual jobs fairs – Cheshire Works4U – to give employers with vacancies a platform to promote these to a wide audience of potential future employees. The first of these events focussed on Crewe and Nantwich and attracted over 16,000 views, both live and on Demand. The next Cheshire Works4U jobs fair is scheduled for 28 October is expected to exceed this figure. The sub-regional Redundancy Action Support Team (RAST) has been stood-up again, which comprises Officers from all three Local Authorities, the Department for Work & Pensions and the National Careers Service. This team co-ordinates the provision of a rapid response to redundancy situations across the Cheshire and Warrington sub region, ensuring effectiveness in operational service delivery. Officers from the Economic Development Service are part of the RAST Team and have been coordinating support for employers such as Bentley, Senior Aerospace, Dairy Gold Foods and Manchester Airport Group. The Council is also promoting the Government's Kickstart Scheme to encourage local employers to provide high quality 6-month work placements aimed at those aged 16 to 24 who are on Universal Credit and are deemed to be at risk of long term unemployment.
- 6.3.5 The Council has also delivered four phases of funding through its Discretionary Business Grant Scheme since it launched on the 1 June. Circa 540 businesses that missed out on grant funding from the Government's Small Business Grant Scheme or Retail, Hospitality and Leisure Grant Scheme have received grants through this scheme. The Grant Scheme is now closed and all grant payments were made before 30th September.

6.3.6 Furthermore, the Council and its partners have developed plans for the longer term economic recovery of the Borough. This approach includes:

- Understanding the Impacts of the pandemic and EU exit on the economy and development in the Borough including the opportunities this presents for the Borough for future inward investment.
- Understanding the implication of these impacts on income for the council and on key strategic services such as Planning, Economic Development and Strategic Transport.
- Support to businesses in the Borough including a focus on the sectors most likely to be impacted by the pandemic such as the hospitality sector. In addition support will continue to be provided to the key businesses and key sectors in the local economy.
- Continuing to support our town centres and businesses that operate from them.
- Developing a future pipeline of development and regeneration projects that can stimulate the local economy
- Ensuring that the Borough has an effective place marketing approach so that it is able to promote itself for inward investment in the future.

7 Implications of the Recommendations

7.1 Legal Implications

7.1.1 The Coronavirus Act 2020 received Royal Assent on 25 March 2020. The Act has extensive schedules setting out a wide framework to life under lockdown. The Act has been followed with copious and frequent guidance notes, frequently with implementation dates ahead of what is practically possible, e.g. Household Waste and Recycling Centres, administration of School Admission Appeals, restrictions on and subsequent opening of certain business premises, Test and Trace.

7.1.2 The Coronavirus Act also set out a framework by which Local Authorities could reduce their statutory duties in relation to the Care Act 2014, for Adult Social Care. These Care Act Easements could be implemented should the capacity of Adult Social Care staff become so reduced that it could not continue to meet its duties. To date Cheshire East Council has not initiated any Care Act Easements.

- 7.1.3 Any necessary urgent decisions have followed the process set out in the Constitution.
- 7.1.4 Local authority meetings - on Friday 31 July 2020, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) (Amendment) Regulations 2020 came into force and will expire on 7 May 2021 unless extended. It removes the requirements to hold annual meetings; allows councils to hold all necessary meetings virtually, to alter the frequency and occurrence of meetings, without the requirement for further notice and to enable members, officers and the public to attend and access meetings and associated documents remotely. However, the amended regulations do not specifically mention 'hybrid' meetings.
- 7.1.5 The Health Protection (Coronavirus, Restrictions) (England) (No 3) Regulations 2020 came into force on 18 July 2020 and will expire at the end of 17 January 2021. They give local authorities (LA) power to give directions which impose prohibitions, requirements or restrictions relating to premises, events and public outdoor spaces, more commonly known as local lockdowns in order to tackle local coronavirus outbreaks. The LA must ensure the conditions set out in the Regulations are met before it can give such a Direction. It must also have regard to advice from its Director of Public Health when deciding whether or not to make a Direction. If a Direction is made, the Secretary of State (SoS) must be notified as soon as reasonably practicable, and the Direction must be reviewed at least once every seven days to ensure the conditions for making it are still met. Similarly, the SoS has the power to direct a LA to make a Direction under the Regulations, if the SoS considers the conditions for making a Direction are met.
- 7.1.6 Directions relating to premises may require closure of premises, restriction of entry or restrictions relating to the location of persons in the premises. A LA may not make a Direction relating to premises which form part of essential infrastructure.
- 7.1.7 Directions may be given in relation to specified events or events of a specified description.
- 7.1.8 If the LA gives a direction which imposes a prohibition, requirement or restriction on a person specified by name, the LA must give notice in writing to that person and also publish the notice to bring to the attention of persons who may be affected by it. Persons who are given a direction

under the Regulations have a right of appeal against the direction to a magistrate's court and also to make representations to the SoS.

7.1.9 LA designated officers and constables have enforcement powers. Persons who contravene directions under the Regulations or obstruct persons carrying out functions under the Regulations commit offences.

7.1.10 Officers continue to consider both formal Regulations and Guidance issued by Government which informs the Council's approach to the relevant subject matter. By way of example, the government's advice on COVID-19: Guidance for the safe use of council buildings was updated on the 9th September 2020. See link for full details;
<https://www.gov.uk/government/publications/covid-19-guidance-for-the-safe-use-of-council-buildings/covid-19-guidance-for-the-safe-use-of-council-buildings>

7.1.11 Particular reference is drawn to section 3c 'Meetings' which states;
"We continue to recommend that where meetings can take place digitally, without the need for face-to-face contact, they should do so. Where council buildings need to be used for physical meetings, these meetings must be managed within the social distancing guidance and principles set out above."

7.1.12 As referenced in para. 7.1.4 above, the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) (Amendment) Regulations 2020 enable remote meetings. The key question to consider in all cases would be, is it necessary to holding face to face meetings in council buildings? Such risk assessment would need to consider the availability of alternative methods, i.e. virtual meetings, the risk and data pertaining to infection rates both locally and nationally, any particular local considerations and vulnerabilities of those who may be impacted by a decision, and equality considerations when considering the necessity if it should hold in person meetings.

7.1.13 The Health Protection (Coronavirus, Restrictions) (No. 2) (England) (Amendment) (No. 4) Regulations 2020 which came into force on 14th September 2020, amended the Health Protection (Coronavirus, Restrictions) (No. 2) (England) Regulations 2020, so that people may not participate in social gatherings, in any place, in groups of more than 6, unless they are members of the same household, two linked households, or exceptions apply. The changes apply to England, in so

far as an area isn't subject to additional or enhanced restrictions by way of are specific regulations.

7.1.14 The Health Protection (Coronavirus, Restrictions) (Obligations of Hospitality Undertakings) (England) Regulations 2020, came into force on 18th September 2020 by way of emergency Regulations. The Regulations make provision for requirements for pubs, restaurants, cafes and other businesses involved in providing food for consumption on the premises to take reasonable steps or measures to limit customers to parties of six, and to keep tables an appropriate distance apart.

7.1.15 The Health Protection (Coronavirus, Collection of Contact Details etc and Related Requirements) Regulations 2020 came into force on 18 September 2020, again by way of emergency Regulations. The Regulations make provisions requiring designated venues to collect certain contact details mainly from customers, visitors and staff (as set out in the regulations), store this information for 21 days, and share it with NHS Test and Trace or local public health officials, if requested. This is with the purpose of enabling NHS Test and Trace and local public health officials to contact people who may have been exposed to coronavirus and give them appropriate public health advice to help stop the further spread of the virus.

7.1.16 The Health Protection (Coronavirus, Local COVID-19 Alert Level) (High) (England) Regulations 2020 were made on 12 October 2020 and came into force on 14 October 2020. Cheshire East Council fell within the area covered by these Regulations, known as Tier Two restricted areas. In general, these regulations make provision for local restrictions in the affected areas in terms of social interaction and operation of some businesses. People must not socialise with anybody outside of their household or support bubble in any indoor setting, whether at home or in a public place, nor must they socialise in a group of more than 6 outside, including in a garden or other space like beaches or parks. The Regulations make provision for certain lawful exceptions to these restrictions. Similarly, businesses and venues can continue to operate, in a COVID-Secure manner, other than those which remain closed in law. Certain businesses selling food or drink on their premises are required to close between 10pm and 5am. Businesses and venues selling food for consumption off the premises, can continue to do so after 10pm as long as this is through delivery service, click-and-collect or drive-thru. Schools, universities and places of worship remain open. Weddings and funerals can go ahead with restrictions on the number of attendees. People can continue to travel to venues or amenities which are open, for work or to access education, but should look to reduce the number of journeys they make where possible. There is also an expectation that any national guidance in place at the time will be

followed for example the wearing of face masks where mandated and maintaining social distancing. The Regulations make provision for a constable, a police community support officer or a person designated by a local authority, to enforce the regulations, with any offence/breach being punishable by a fixed penalty notice fine, which operates on an increasing scale should there be repeated breaches of the regulations. The fines can be levied against individual, or businesses who fail to adhere to the regulations.

7.2 Financial Implications

- 7.2.1 The potential financial impacts of the COVID-19 pandemic have been reported to Cabinet each month since July with the October update including the additional link to the Council's underlying budget performance in 2020/21. Members outside of Cabinet have received briefings via the Audit & Governance and Corporate Overview and Scrutiny Committees or direct member briefing. This report presents the latest financial position and identifies Government funding already provided or claimed to date.
- 7.2.2 Significant levels of uncertainty remain over the potential financial implications for local authorities. The financial issues facing Cheshire East Council are just part of an ongoing national issue for public services, and the whole UK economy. Central Government continues to react with funding support packages for both general and specific purposes. The Council continues to support MHCLG in gathering evidence, on a monthly basis, of the potential costs and income losses for 2020/21 based on information and guidance available at the date of the government return. The information from the Council contributes to the ongoing negotiations between the LGA, MHCLG, HM Treasury and other government departments and sector led organisations such as the County Councils Network.
- 7.2.3 The nature of financial issues, and the approach to funding costs and income losses associated with the pandemic, has inevitably changed over time as the severity of the pandemic has changed. This creates issues with producing an accurate forecast of financial consequences compared to the Council's Medium-Term Financial Strategy which had been approved by Council on 20 February 2020.
- 7.2.4 In June the potential gross financial pressure for the Council was estimated at c.£70m. This represented both increased expenditure and reductions in income. At the time this figure was reported to MHCLG, conversations were already ongoing about how this could be mitigated, either through increased grant funding or by providing payments direct to businesses, suppliers or to individuals in the local area.

7.2.5 The positive response to control the virus and subsequent easing of national lockdown restrictions as well as the direction of funding to other local bodies or individuals has subsequently reduced the gross costs being accounted for by the Council. In addition, the Council has now also made a first claim for losses under the Income Compensation Scheme.

7.2.6 The returns to Central Government identify three main types of financial pressure:

(i) **Un-ringfenced Expenditure and Income Losses**

Appendix 1 provides an indication of the forecast financial pressures from COVID-19 on the Council's 2020/21 budget in early October. At that time potential financial impacts under this category equated to c.£32.8m. Although provided in the report for context and clarity, these figures are under monthly review and expenditure is expected to rise with the rising number of infection cases. Un-ringfenced grant funding to support expenditure and income losses is detailed in Table 1 below, in a format consistent with previous reports. £22.4m of Support Grant has been paid to date; £2.1m has also been claimed so far under the Income Compensation Scheme and is pending analysis before payment. On 12 October Government announced that an additional £1 billion will be provided to support councils in England to ensure they have the resources needed this winter. Cheshire East's allocation is £2.6m, announced on 22 October. Further analysis will be completed to understand how this new allocation can mitigate the issues identified within Appendix 1. Alongside this recent allocation, Government have also announced that £100m has been top sliced to provide support in keeping leisure centres open, and a claims process to access this funding will be announced shortly.

(ii) **Collection Fund**

Collection Fund potential losses relate to Council Tax and Business Rates income. At the time of writing, the Council expects to have to bear these losses. Latest guidance from government requires councils to spread the impact over the next three years. However, there is ongoing consideration from MHCLG and the LGA on this issue and further information will be provided when it is available. Cash shortfalls in-year are expected to be in the region of £9m. The Council will continue to recover late payments where practical, however some losses will be permanent; for example, where businesses have ceased trading, individuals are now entitled to Council Tax Support Payments, or where growth in the tax base has slowed down compared to forecasts.

(iii) **Ringfenced Expenditure**

Table 2 provides information about the activities the Council has been undertaking which have received specific government funding.

Table 1: The approach to un-ringfenced funding has changed over time

Announced	Funding for CEC	Notes
(England total)		
19th March	£9.150m (£1.6bn)	Adult Social Care based payment
18th April	£10.539m (£1.6bn)	Payment per capita to help reflect lost income
Sub-Total	£19.689m (£3.2bn)	
2nd July	£2.712m (£0.5bn)	Adult Social Care / deprivation based payment
12th October	£2.578m (£1bn)	To provide resources for winter. This tranche of funding has been used to equalise all payments using the same approach as the July payment.
Total	£24.979m (of £4.7bn)	
2nd July	£6.1m (£n/k) for Income Compensation	Estimated total – subject to claims process. £2.1m claimed so far, in 1 st of 3 data collection rounds Compensation at 75p in £1 for losses above 5% of sales, fees and charges budgets
2nd July	£nil for Collection Fund	Defer Collection Fund Deficit over 3yrs

7.2.7 Un-ringfenced government funding received to date as detailed in Table 1 (above) is currently **£24.9m**, and the income compensation scheme is anticipated to bring in **£6.1m**, if settled in full. In October it was reported that current spending and income loss forecasts could see a shortfall for the Council of c. **£13.5m**. Although a fourth tranche of funding has been announced by the Government, the financial impact is increasing, due to increasing number of cases of COVID-19. At this point it is not clear

whether the previously forecast shortfall will change, but it will be subject to ongoing analysis and review.

7.2.8 Mindful of the possibility for further expenditure / net cost pressures going forward, it will be important to continue to review, understand and mitigate the potential shortfall between additional financial impacts and the funding provided by Government. The Council continues to engage in several activities:

1. Managing and reviewing the financial forecasts in response to guidance and the local response to the emergency and how this affects the Council's revenue budget.
2. Further analysing the Government proposals to compensate losses from Sales, Fees and Charges.
3. Analysing the level of Collection Fund losses across the three financial years 2021/22 to 2023/24.
4. Reviewing the consequences of funding shortfalls on the Council's capital programme and how this impacts on the Council's long-term funding of capital expenditure.

Table 2: Specific Grants are valued at c.£176m

Activity (National Total)	Spending forecast*	Funding	Variance
Test & Trace (£300m)	£1,533,331	£1,533,331	£0
Towns Fund (Capital £5bn)	£750,000	£750,000	£0
Dedicated Home to School and College Transport (£40m)	£294,536	£294,536	£0
Rough Sleeping (£3.2m + £105m)	£158,516	£6,000	£152,516
Active Travel (£225m)	£774,000	£774,000	£0
Re-Opening High Streets (£50m)	£339,533	£339,533	£0
Culture Recovery Fund (£1.57bn)	£180,000	£180,000	£0
Infection Control (£600m)	£5,320,292	£5,320,292	£0
Business Grants (£12.3bn)**	£87,445,000 (spending to	£95,514,000	Awaiting guidance

	date)		
Discretionary Business Grants (£617m)**	£4,357,000 (spending to date)	£4,372,250	
Tier Two Business Grants **	£n/k	£n/k	
Business Rate Holiday (£9.7bn)	£62,339,000	£58,785,655	£3,553,345
Council Tax Hardship (£500m)	£2,500,000	£2,062,635	£437,365
Local Bus Network (£167m)	£229,632	£229,632	£0
Emergency Assistance Food and basic necessities (£63m)	£326,293	£326,293	£0
Towns Fund Capital (£5bn)	£750,000	£750,000	£0
Additional Dedicated Home to School and College Transport (£40m)	£294,536	£294,536	£0
Wellbeing for Education Return (£8m)	£55,403	£55,403	£0
Compliance and Enforcement Grant (£60m)	£158,572	£158,572	£0
Bus Service Support Grant (CBSSG) Restart scheme (£254m)	£305,467	£299,634	(£5,833)
Self Isolation Test and Trace Support Payment (n/k)	£250,979	£250,979	£0
Infection Control in Care Homes (£546m) 2 nd Tranche	£4,712,872	£4,712,872	£0
Tier Two Payment (£3ph)	c.£1,100,000	£n/k	£n/k
Leisure Centres (£100m)	£n/k	£n/k (pending claims process)	£n/k

*Note: where 'Spending Forecast' equals 'Funding' this does not necessarily indicate the full extent of spending but does demonstrate the expectation that funding will be fully utilised.

**Business Grant scheme funding has been combined to date. Scheme totals can also vary if payments are subject to review or appeal

7.2.9 Further specific grants may become payable and require local administration in response to the emerging status of the pandemic response.

7.2.10 LGA and CCN collate returns from all member councils, though the types of financial pressure vary from council to council depending on their circumstances. For example, whether they provide social care, have a strong tourist economy or the extent of deprivation. The overall impacts are similar across councils and Cheshire East Council is not an outlier. The Council will continue to support lobbying by the LGA and CCN in their aim to ensure fair settlement of the financial pressures facing local authorities.

7.3 Policy Implications

7.3.1 COVID-19 is having a wide-ranging impact on many policies. Any significant implications for the Council's policies are outlined in this report.

7.4 Equality Implications

7.4.1 Implications of the changes will continue to be reviewed. We are carrying out individual risk assessments for staff with protected characteristics, particularly in relation to BAME colleagues and staff with a disability.

7.5 Human Resources Implications

7.5.1 Paragraphs 5.2.51-5.2.52 provide information in relation to the Council's workforce and workplace. Throughout the pandemic, there has been regular communication with staff and good co-operation with the Trade Unions.

7.6 Risk Management Implications

7.6.1 Risk registers have been maintained as part of the Council's response to date and the plans for recovery. Business Continuity Plans are being kept under review and plans have been tested against concurrent risks of EU Exit and winter pressures.

7.7 Rural Communities Implications

7.7.1 COVID-19 is having an impact across all communities, including rural communities. The support for small businesses will support rural business.

7.8 Implications for Children & Young People/Cared for Children

7.8.1 There are implications for children and young people. There are implications for schools, early help and prevention and children's social care which are summarised in the report.

7.9 Public Health Implications

7.9.1 COVID-19 is a global pandemic and public health emergency. There are implications for Cheshire East which are summarised in the report.

7.10 Climate Change Implications

7.10.1 There have been positive benefits of fewer cars on the road. This includes most staff who have been working from home. There has also been lower demand for heating/lighting offices. This is outlined in paragraph 6.5.14.

8 Ward Members Affected

8.1 All Members.

9 Consultation & Engagement

9.1 Formal consultation activities were initially paused due to the lockdown restrictions. We are reviewing on a case by case basis to ensure that we can continue to operate effectively.

10 Access to Information

10.1 Comprehensive reports on COVID-19 can be found on the Council's and the Government's websites.

11 Contact Information

11.1 Any questions relating to this report should be directed to the following officers:

Frank Jordan, Executive Director Place and Deputy Chief Executive

Mark Palethorpe, Executive Director People

Jane Burns, Executive Director Corporate Services

Covid19 Financial Update by Directorate

People Directorate

2020/21 Outturn Review	2020/21 Budget	Covid Financial Pressures		Forecast Over / (Underspend)
(GROSS Revenue Budget £647.2m)	(NET)	Expenditure	Income	
£000	£000	£000	£000	£000
Directorate	881	-	-	-
Children's Social Care	40,190	1,175	-	1,175
Education & 14-19 Skills - Revenue	15,068	215	187	402
Education & 14-19 Skills - Capital	-	2,000		2,000
Prevention & Early Help	8,351	69	41	110
Adult Social Care - Operations	28,077	-	-	-
Commissioning	88,778	3,656	734	4,390
Public Health	-	78		78
People	181,345	7,193	962	8,155

The most significant element of expenditure incurred by the Council involves financial support to the social care market, funding has already been provided to support care providers in dealing with increasing costs linked to demand, staffing shortages and PPE.

The loss of fees and charges and increased debt from Adult Social Care is expected to be in the region of £0.7m.

The cost of the shielding hub, as shown under Public Health, is estimated to be £78k, in addition to this there are additional staffing resources from across the Council services involved in shielding.

The increased cost of children's social care is £1.176m mainly due to the rise in agency placements.

Delays in the schools building programme are expected to lead to additional costs in the second part of the year.

Place Directorate

OFFICIAL

Appendix 1

2020/21 Outturn Review	2020/21 Budget	Covid Financial Pressures		Forecast Over / (Underspend)
(GROSS Revenue Budget £647.2m)	(NET)	Expenditure	Income	
£000	£000	£000	£000	£000
Directorate	977	-	-	-
Environment & Neighbourhood Services	40,744	3,916	2,056	5,972
Environment & Neighbourhood - Capital	-	255		255
Growth & Enterprise	20,434	561	2,557	3,118
Highways & Infrastructure - Revenue	11,909	1,238	3,949	5,187
Highways & Infrastructure - Capital		3,730		3,730
Place	74,064	9,700	8,562	18,262

The Council's wholly owned company ANSA has experienced significant challenges in delivering waste and environmental services throughout this pandemic. The cost of employing additional agency staff, purchasing PPE and the increased tonnage from kerbside collections is estimated to be over £2m.

The bereavement service has incurred additional costs including a contribution to a body storage facility.

The loss of income from fees and charges is significant for the Place directorate, car parking income losses alone is estimated to be over £3m, income from cultural activities such as Tatton Park is expected to be down by £2m and income from planning fees is expected to have a shortfall £1.3m.

Additional costs relating to the running of the leisure centres and the loss of income is estimated to be in the region of £1.2m.

Delays in major highway construction schemes are expected to lead to additional costs in the second part of the year.

2020/21 Outturn Review	2020/21 Budget	Covid Financial Pressures		Forecast Over / (Underspend)
(GROSS Revenue Budget £647.2m)	(NET)	Expenditure	Income	
£000	£000	£000	£000	£000
Directorate	693	-	-	-
Finance & Customer Services	8,678	1,320	740	2,060
Governance & Compliance Services	9,984	61	824	885
Transformation - Revenue	-	759		759
Transformation - Capital	14,728	2,721		2,721
Corporate	34,083	4,861	1,564	6,425

The ICT service has accelerated and extended the deployment of Windows 10 mobile devices to enable council employees to work from home and elected Members to participate in remote meetings since the start of the pandemic has required. An increased number of devices have been purchased and the resources required to deliver this redeployment in a short space of time has placed significant pressure on the service.

ICT has also delivered a number of specific projects specifically to facilitate the remote working environment, these include e-signatures, virtual council meetings, virtual child protection conferences, virtual hearings for both internal and external participants, remote door solution etc.

The registration service is expecting a loss of income from marriage services in the region of £0.8m.

The loss of Housing Benefit overpayment recoveries and the loss of court cost income for Council Tax and Business Rates is also expected to be in the region of £0.7m.

Unachievable savings resulting from the delay in the implementation of Best4Business is in the region of £1m.

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Working for a brighter future together

Audit and Governance Committee

Date of Meeting: 11 November 2020

Report Title: Quarter Two Review of the Strategic Risk Register 2020/21

Senior Officer: Jane Burns, Executive Director of Corporate Services

1. Report Summary

- 1.1. Effective risk management is central to good governance and supports the efficient delivery of the Council's objectives.
- 1.2. The Audit and Governance Committee provides an independent assurance to the Council on the adequacy of the risk management framework. It is responsible for monitoring the effective development and operation of risk management and monitoring progress in addressing risk-related issues reported to the Committee.
- 1.3. The role is defined in the Constitution as: "To monitor the effective development and operation of risk management in the council and to monitor progress in addressing risk related issues reported to the committee"
- 1.4. This report provides the Audit and Governance Committee with outcomes of the review of the Strategic Risk Register at the end of Quarter Two (30 September 2020), as shown in Appendix A.
- 1.5. The Committee will be aware that the council's risk environment is dynamic with fast changing circumstances particularly related to the Covid-19 pandemic and interdependencies with other strategic risks which form a greater collective risk exposure for the authority. For that reason, this report covers both the position at the end of September and a summary of the operational response to COVID and associated winter risks.

2. Recommendation

- 2.1 The Quarter Two Review of the Strategic Risk Register 2020/21 be noted.

3. Reasons for the Recommendation

- 3.1. The Council's risk management framework is designed to provide a structured, consistent and continuous process for identifying, assessing, and responding to threats and opportunities that affect the achievement of the Council's corporate objectives.
- 3.2. Risk management is central to facilitating good governance and the achievement of corporate objectives. As a publicly accountable body, the Council must demonstrate effective identification and management of the risks that threaten the achievement of its corporate objectives, the effectiveness of its operations, and reliable financial reporting.
- 3.3. The Audit and Governance Committee provides an independent assurance to the Council of the adequacy of the risk management framework.

4. Background

- 4.1. The Council's Risk Management Framework is underpinned by three key objectives set out below;

Key Risk Objectives
That Cheshire East Council properly develops, implements and demonstrates an effective risk management framework
That Cheshire East Council applies its risk management policy consistently across the Council
That Cheshire East Council recognises risks and makes correct decisions to tolerate, treat, transfer or terminate threats or to exploit, share, enhance or ignore opportunities

5. Risk Management Activity – Strategic Risk Register

- 5.1. The strategic risk register forms part of the Council's overall governance arrangements and helps demonstrate that the organisation is aware of and managing the risks and opportunities it faces in striving to achieve its strategic objectives.
- 5.2. The Strategic Risk Register has been comprehensively revisited during Quarter 2 and currently identifies 16 Strategic Risks.

- 5.3. It should be noted that there are 5 new emerging risks reported. These have been identified by the Council's Corporate Leadership Team and recently reviewed by them.
- 5.4. The tables below inform Members of the highest rated strategic risks on the strategic register, those on the "watch list", and any significant changes to the score since the last quarterly review. Attached is Appendix B, a visual representation of the risks as a "heat map".

Highest Rated Strategic Risks				
Ref	Type	Short Risk Title	Net Rating	Direction
01	T	Demand for People services	16 High	↔
02	T	NHS funding	16 High	↔
03	T	Financial Resilience	16 High	↔
11	T	Pandemic	16 High	↔
12	T	Failure and Fragility in Social Care Markets	16 High	NEW
04	T	Cyber Security	12 High	↔
05	T	Business Continuity	12 High	↔
06	T	Capacity and Demand	12 High	↔
09	T	Capital Projects	12 High	↔
16	T	Economic Risk	16 High	NEW
07	T	EU Transition	16 High	↑
<i>T = Threat, O = Opportunity</i>				

5.5.

Risk Watch List (Medium rated)				
Ref	Type	Short Risk Title	Net Rating	Direction
08	T	Decision Making	6 Medium	↔
13	T	Reputation	9 Medium	NEW
14	T	Climate Change	9 Medium	NEW
10	O	Infrastructure Investment	8 Medium	↔
15	T	Business Rates	6 Medium	NEW
<i>T = Threat, O = Opportunity</i>				

5.6. Risks that have reduced between Q1 and Q2

New risks added during Q1 and Q2			
Ref	Type	Risk Title / description	Net Rating
SR12	T	<u>Fragility and failure in the social care market</u> Risk that increased pressure within the social care market, rising costs, increasing complex needs and funding pressures, which have been exacerbated by Covid 19	16 High

New risks added during Q1 and Q2			
		increases the likelihood of multiple provider failure and market collapse.	
SR13	T	<u>Reputation</u> Risk that consideration is not given, and management action is not taken, to effectively manage the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to meet the corporate priorities.	9 Medium
SR14	T	<u>Climate Change</u> Risk that the Council has an increased cost due to implementation of the Environment strategy balanced against and the impacts of the climate emergency e.g. increased frequency and severity of adverse weather events.	9 Medium
SR15	T	<u>Business rates</u> Risk that the current system of business rates does not allow the Council to benefit proportionally from the level of rates collected. This could have effect on the MTFS if BR are changed.	6 Medium
SR16	T	<u>Economic Risk</u> The risk that the combined external national economic impact of EU Transition and COVID-19 will have a severe detrimental impact on the Cheshire East economy balanced against the opportunities that exist for growth in some sectors and businesses in the local economy	16 High

Risk management operational response to COVID and associated winter risks

- 5.7. The impact of Covid19 remains at an unprecedented level, with interdependancies existing with all of the high level risks. The response to COVID-19 is being managed through CEMART, the Council's Emergency Management and Reponse Team. A detailed report elsewhere on the agenda sets out more detail about the Council's response and recovery arrangements. Risks are identified and reviewed on a very regular basis.
- 5.8. Risk Management colleagues have provided assistance to CEMART, however it remains the responsibility of individual lead officers to update

their individual risk registers. Support has also been provided to services across the authority in risk management.

- 5.9. The council has invested in developing plans to address the strategic risks during the next six months to cover the winter period. The impact of COVID 19 and restrictions imposed requires additional support for a number of sectors.
- 5.10. Town centres and hospitality sectors have received support for reopening of services, town centres and high streets to promote social distancing in premises and in the high street with a mixture of signage, barriers and advice provided regarding transport. Regulatory services are engaging with businesses. Communications to support this activity is being reinforced.
- 5.11. The local authorities in Cheshire and Warrington are taking a consistent approach to events such as bonfire night, winter festivals and remembrance services.
- 5.12. Front line services reopened during the summer including libraries, leisure centres, parks and open spaces. However, this is kept under review as national guidance is updated regarding these services. Appropriate restrictions remain in place in relation to social distancing and buildings are operating in compliance with Covid-19 secure notices.
- 5.13. As demonstrated in March these facilities were able to be closed very quickly if that were deemed to be appropriate and arrangements would be co-ordinated to ensure a consistent approach is adopted across Cheshire and Warrington when required.
- 5.14. Cheshire East has plans in place to increase levels of housing support in relation to homelessness and domestic abuse and had successfully put arrangements in place to provide temporary accommodation for rough sleepers and homeless people. Very few families are currently in B&B and in addition there are very few individuals that are sleeping rough.
- 5.15. Multi-agency working to promote both crime reduction and COVID related messaging and enforcement is taking place. Contextual Safeguarding Teams are overseeing child protection activity and processes, locally and sub regionally. Adult safeguarding Boards are overseeing adult safeguarding activity.
- 5.16. In winter we may be faced with the challenges of co-circulation of COVID-19 and influenza (flu), impacting upon residents, their families, businesses, the NHS, emergency services and the wider health and social care sector.

- 5.17. System integrated Winter Plans have been co-produced with partners.
- 5.18. NHS England and Ireland Phase 3 Recovery Plans are in place with increased community bed capacity. Additional community bed capacity will ensure hospital flow maintaining occupancy rates.
- 5.19. Care homes have been supported to ensure homes are COVID-19 resilient, flu planning in place and business continuity plans in place. They are working closely with Infection control teams.
- 5.20. Winter/phase 3 plans have incorporated the learning of COVID-19 supporting vulnerable groups, enhancing virtual consultation as appropriate. Risk reduction is managed through proactive planning. Winter plans have incorporated key actions from the NW framework to reduce inequalities. This includes: enhanced community support through integrated assessments and care planning; maintaining and enhancing current schemes that are supporting hospital and community flow; increased community general nursing assistants and therapies to support more people to remain at home with support; additional rapid care to support Same Day Emergency Care and discharges and enhanced streaming to reduce crowding in Emergency Departments; and additional social work assessments, brokerage support over 7 days and 7 day assessment as well as increased respite. Primary Care Hot Hubs are being developed in community Primary Care Out of Hours and Emergency Department and increased virtual consultations. Risk stratification is in place to support vulnerable groups and ensure Flu vaccinations are provided. This data will also inform patients that are at risk and enable pro-active approaches to care.
- 5.21. Flu implementation plans in place with system-wide implementation group/s in place to have oversight.
- 5.22. The Council has tested its flood response plans to ensure they can operate under Covid restrictions. This has included having a store of PPE for staff that would be responding, having appropriate rest centres in place that enable social distancing and mutual aid arrangements being tested so that each Local Authority can support in the event of major flooding.
- 5.23. The assumptions in relation to EU transition were tested in 2019 and are now being reviewed ahead of the planned transition at the end of December 2020.
- 5.24. The potential impact on highway network had been assessed as being manageable at that and this is still considered to be the case.

- 5.25. The impact on the Business Community particularly those that export and import multi-national organisations is being reassessed to enable future contingency plans to be developed. However, ongoing support and guidance to businesses continues to be provided through the Council's Economic Development services and through the Local Enterprise Partnership through the Growth Hub.
- 5.26. A further action that is being taken is rehearsing the support that would be provided if one of the Borough's major employers closes or announces significant reductions in its workforce.
- 5.27. Furthermore, plans are in place to continue to support international businesses with their investment decisions.
- 5.28. In addition, the EU transition has identified additional pressure on regulatory services e.g. additional products require testing and legislation not being transferred into UK legislation and similarly the potential impact of this is being actively reviewed.
- 5.29. Therefore, the Council and its partners have undertaken risk assessment review of the key strategic risks associated with Covid, Winter Pressures and EU transition to develop a co-ordinated package to be in the most prepared position for the winter period.

6 Risk management progress against policy / strategy objectives

	Strategy Priority	Progress Update
1	The detailed methodology for risk management including risk identification, evaluation, treatment and monitoring including a more refined, granular scoring matrix which is used as best practice by other local authorities and recommended by the public sector risk management association ALARM.	The guidelines have been completed, they are currently being reviewed and will be published during Q3, with training being considered to align with the publication.
2	Introduction of risk management software which will enable the review of risks in different cross sections such as thematic, risk types, hierarchy of risks. It will enable better monitoring of risk and risk profiling. This will greatly improve risk management across the Council.	This activity has been put on hold awaiting the implementation of the audit module of Galileo which should be completed in quarter three.
3	Move to a "5 x 5" risk scoring matrix which	This will be completed

	Strategy Priority	Progress Update
	will provide greater granularity which will aid the management of risk and improve our risk maturity.	when the new software is introduced.
4	To critically examine and challenge commissioning plans so that risk is being considered appropriately at the business planning stage to ensure risk activity is focused on the delivery of the key organisational objectives	On hold due to Covid / resource constraints.
5	To review the strategic risks facing the Council, examining, challenging and supporting the risk assessment process to ensure consistency and gain assurance that strategic risks are being actively managed and monitored; including comprehensively revisiting and updating the Strategic Risk Register.	Strategic risks have been reviewed by CLT and have been updated.
6	Work with finance colleagues to develop the recognition of “total” risk exposure to the Council and quantify our likely risk exposure should several strategic risks occur at any one time.	This will be scheduled to be completed during Q4 of 2020/21.

7 Implications of the Recommendations

7.1 Legal Implications

7.1.1 Risk management can relate to legal aspects of the council's business; however, the content of this report does not have any specific legal implications. Legal risks to the organisation are incorporated in the Service Plan risk registers. This report is aimed at addressing the requirement that the Council achieves its strategic aims and operates its business, under general principles of good governance and that it identifies risks which threaten its ability to be legally compliant and operate within the confines of the legislative framework.

7.2 Finance Implications

7.2.1 Costs relating to implementing risk treatment plans are included within service budgets. The need to provide financial security

against the impact of risks is considered on a case by case basis and either included within specific budgets within the MTFS or considered under the overall assessment of the required level of General Reserves as part of the Reserves Strategy.

7.2.2 Many of the Strategic Risks have significant financial consequences, not least COVID-19. This is covered by detailed updates.

7.2.3 The Council and its public sector partners are confronted with growing demand in health and social care needs, this is in combination with severe resource constraints. There is considerable interest in the potential of innovation in service delivery and partnership working to help address such challenges and this may require an increased risk appetite which in turn may lead to increased financial risk.

7.2.4 The financial cycle, of planning, monitoring and reporting, provides officers and members with regular updates on the financial implications of emerging risks and the proposed mitigation.

7.2.5 The cumulative risks of COVID 19, EU Exit transition, economic downturn, staff resilience and winter pressures are increasing the council's risk exposure and are inextricably linked.

7.3. Policy Implications

7.3.1 Risk management is integral to the overall management of the authority and, therefore, considerations regarding key policy implications and their effective implementation are considered within departmental risk registers and as part of the risk management framework.

7.4. Equality Implications

7.4.1 There are risks that have Equality & Diversity implications and these are identified in our risk registers.

7.5. Human Resources Implications

7.5.1 Human resource implications in relation to this report include: -

- the need for training on risk management and business continuity to improve skills and knowledge for staff to fulfil their responsibilities

- the need for managers to lead through a combination of positive attitude and behaviours towards risk management and business continuity.
- The capacity and resource implications of responding to COVID-19.

7.6. Risk Management Implications

7.6.1 This report relates to overall risk management; the Audit and Governance Committee should be made aware of the most significant risks facing the Council and be assured that the risk management framework is operating effectively.

7.8. Rural Communities Implications

7.8.1 There are no direct implications for rural communities.

7.9. Implications for Children & Young People/Cared for Children

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

7.10. Public Health Implications

7.10.1 Public Health having been a key partner in the Council's response to the COVID-19 pandemic which has great implications. The Council's response to risk and business continuity has been very proactive in managing COVID-19.

7.11. Climate Change Implications

7.11.1 Climate change has both threats and opportunities to the Council's management of risk. Changes in weather patterns and extreme weather conditions have seen an increase that impacts on the council, as it needs to ensure public safety. Extreme weather conditions such as flooding increases damage to infrastructure and increases operational costs to respond to the emergency; it can damage trees which the Council has a responsibility to maintain and survey and can impact on insurance costs. Climate change is also an opportunity for the Council for it to identify ways in which it can reduce its carbon footprint and may attract additional funding to make carbon savings. In the last year the Council has commissioned a project to examine how it can support residents and businesses alike to improve their energy efficiency and reduce their carbon footprint.

8. Ward Members Affected

- 8.1 All Wards have been affected by the Covid-19 global pandemic and the Council's response to it.

9. Access to Information

- 9.1 Strategic Risk Register (Appendix A) and Strategic Risk Heat Map. (Appendix B)

10. Contact Information

Any questions relating to this report should be directed to the following officers:

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Job Title: Risk and Business Continuity Business Manager




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Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
SR1 Threat	Increased Demand for People Services: That Cheshire East's local social, economic and demographic factors lead to an increase in the level of need and increased demand for adults and children's social care services, resulting in the capacity of the Council's systems relevant to these areas are unable to continue to respond/ absorb the pressures presented, resulting in a possible lack of staff working in social care/ increased market failure pertaining to a range of service providers, unmet need, potential safeguarding issues, and difficulty in achieving the Council's desired outcomes - that people live well and for longer, and have the life skills and education they need to thrive.	The impact of COVID-19 since March 2020 has been to increase demands upon Adults and Children's Social Care, together with our health partners. This is the reason for increasing the likelihood of the risk in the net Risk Score.	Executive Director of People	Adult Social Care and Health Children and Families Corporate Services and Public Health	16	<ul style="list-style-type: none"> Adults operate monthly quality monitoring partnership forum. Quality and reporting and alerting of risk escalation is being effectively managed. Provider risk register is monitored and reviewed. Established a care sourcing team support service and local area co-ordination services to divert people away from care where appropriate. Working with partners and CCG to develop single plan to manage the overall reduction in demand and system redesign work to support an improved community offer. A great deal of activity is directed at managing this risk and above details so key activity, Activity has been focused on COVID response. Short to medium term impact on the economy may lead to increased unemployment, benefit claims, associated mental health, alcohol related harm, domestic violence etc. 	16	16	
SR2 Threat	NHS Funding Pressure There is a circa £50 million pressure for the NHS across Cheshire East. Risk that due to the increasing financial deficit this may cause a pressure in Cheshire East Council shared service delivery and NHS service delivery. If there was a shifting of costs and demand which places additional strain on Council resources resulting in unmet need and potential difficulty in achieving the Council's outcomes that people live well and for longer and local communities being strong and supportive.	<p>Interdependencies between SR1 and SR3 are recognised.</p> <p>The Cheshire East Health and Care Partnership Five-Year Plan and Technical Appendix was published in October 2019. The COVID-19 outbreak has hampered implementation and increased risk with significant financial impacts across both health and social care. The full extent of this is still to be ascertained as the increasing infection rates once again put strain on the system.</p> <p>The Cheshire East Integrated Care partnership has now been established and their Transformation Plan has been drafted. Work on the other work-streams is progressing, however COVID-19 has impacted upon each and limited their progress.</p>	Executive Director of People	Adult Social Care and Health Children and Families Corporate Services and Public Health	16	<ul style="list-style-type: none"> There has been a lot of activity directed at this risk through the Sustainability and Transformation Plan for Cheshire and Merseyside – this plan comes to an end in 2021. There is a Health and Wellbeing Board which looks for key players to work together to address the issues and inherent risk of NHS funding pressures. There is also the Cheshire East partnership which brings together key partners and submits reports to CLT on a six weekly basis. 	16	16	
SR3 Threat	Financial Resilience – lack of certainty about future funding make it difficult to set a robust MTFS	The impact of COVID 19 has added a significant financial pressure to the budget. The expenditure is being tracked and	Executive Director of	Finance, IT and Communications	16	<ul style="list-style-type: none"> The Medium Term Financial Strategy has been produced with activity to address the risk of lack of certainty about future funding. 	16	16	

Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
	The reduction in funding from Central Government means the Council must manage funding shortfalls over the next four years, through reduced expenditure, managing demand or increased local income. There is a possibility that the Council does not adopt its financial plans in sufficient detail quickly enough, either by deferring the difficult decisions about services, using over-optimistic planning assumptions, or not rethinking sources of income in a sustainable way. This may result in difficulties in closing and managing the funding reductions, financial stress and may impede the Council's ability to meet its statutory requirements and deliver all of its intended outcomes and objectives in full. Additionally the Council may fail to achieve the savings required in year which may have a consequential impact on future years,	<p>returns completed monthly to government. The increase in expenditure teamed with the decrease in income is having an adverse effect to the council's financial resilience.</p> <p>Reports on the impact of Covid19 on the Council's finances have been made to Cabinet, A&G, overview and scrutiny and informal reports also.</p> <p>This risk will be further exacerbated if there are cost implications based on the realization of SR1 (Increased Demand for People Services) and/or SR2 (NHS Funding and Health and Care Partnership Plan).</p> <p>The Medium Term Financial Strategy has been produced with activity to address the risk of lack of certainty about future funding.</p> <p>Business planning process has been completed. The financial reserve strategy has been reviewed.</p> <p>Income has significantly declined due to the impact of COVID 19 and expenditure has increased.</p> <p>The 20/21 budget was presented to Council 20th February 2020. More robust analysis and regular review of high risk budgets. COVID tracking of expenditure is submitted monthly to government.</p>	Corporate Services			<ul style="list-style-type: none"> Business planning process has been completed. The financial reserve strategy has been reviewed. The 20/21 budget was presented to Council 20th February 2020. Tracking of additional COVID related expenditure and impact upon income is undertaken and reported upon monthly to central government The financial impact of Covid is regularly reported to Cabinet and Corporate Overview and Scrutiny meetings. 			
SR4 Threat	Information Security and Cyber Threat As the Council continues to move towards using new technology systems to reduce costs and fulfil communication, accessibility and transaction requirements, it becomes increasingly at risk of a security breach, either malicious or inadvertent from within the organisation or from external attacks by cyber-criminals. This could result in many negative impacts, such as distress to individuals, legal, financial and reputational damage to the Council,	<p>The Council is still aware of increased threat of malicious activity during the Covid-19 pandemic. ICT Service has stepped up its monitoring and staff have been made aware.</p> <p>The Council has a number of technologies to reduce the risk of infection. Although existing mitigation controls reduce the likelihood the threat is ever increasing. If the risk materialises there is the potential of a 'major' impact on the corporate plan which may affect services in one or more</p>	Executive Director of Corporate Services	Finance, IT and Communications	16	<ul style="list-style-type: none"> ICT have plans in place to protect and secure our systems to cyber attacks. Testing of security systems is carried out to provide assurance on the quality of systems in use The Council is exploring Cyber threat insurance and further developing its management of this risk. ICT has supported CEmart and Bronze Cell structures with dedicated ICT partners to identify and implement change requirements needed to minimise disruption to service 	12	12	

Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
	possible penetration and crippling of the Council's IT systems preventing it from delivering its Corporate Outcomes.	<p>areas for a short period and so the net risk rating is 12 High Risk.</p> <p>ICT have plans in place to protect and secure our systems to cyber attacks.</p> <p>The Council is exploring Cyber threat insurance and planning simulated cyber attack exercises whilst further developing its management of this risk.</p>				provision and maintain appropriate levels of security.			
SR5 Threat	<p>Business Continuity</p> <p>Risk that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems etc.) such that the Council is unable to deliver some, or in extreme cases all of its services and putting residents at risk for a period of time and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.</p>	<p>Interdependencies with SR4 recognised.</p> <p>A second wave COVID wave will impact on this risk and hence warrants regular review.</p> <p>The EU Exit may increase the likelihood of an incident arising and so the net risk rating remains at 12 high risk. Whilst the majority of incidents are outside of the Council's control this risk could have a major impact if it materialised as with COVID impacts.</p> <p>The use of, and further development of the Business Continuity software is ongoing.</p>	Executive Director of Corporate Services	<p>Corporate Services and Public Health</p> <p>Finance, IT and Communications</p>	16	<ul style="list-style-type: none"> Implementation of Clearview Scenario testing has been undertaken Training has been provided to Heads of Service Post emergency response review planned to capture feedback and lessons learned to inform further training and system development. 	12	12	
SR6 Threat	<p>Capacity and Demand Risk – Corporate Enablers</p> <p>Local demographic factors lead to an increasing demand for services to be delivered, combined with reducing and reduced staff resource / skills of the workforce and an increasing demand for additional unplanned work results in;</p> <ul style="list-style-type: none"> - key resources being overstretched and having insufficient capacity to deliver all business plan requirements, - an inability to retain or attract staff to deliver services sufficient to support the achievement of the Council's objectives. resulting in business operational issues and pinch points, possible failure to deliver priority activities and projects, adverse organisational behaviour and a detrimental impact upon physical, emotional and mental wellbeing of staff impacting upon to the Council's ability to 	<p>The 2019/20 outturn is in the process of being completed as per extensions to returns granted by government due to COVID-19 impact. Ongoing work to assess, and report COVID-19 pressures in returns to central government. T</p> <p>here have been significant additional demands in terms of responding to the COVID-19 pandemic. Staff have worked flexibly, with all those who are able to working from home. In addition, we have deployed a comprehensive programme to migrate staff and Members to Windows 10/Office 365. The overall net risk rating is 12 and remains High.</p> <p>The budget has been presented to the Council. Budget planning system has been introduced to improve the timeliness of data.</p>	Executive Director of Corporate Services	Corporate Services and Public Health	12	<ul style="list-style-type: none"> The budget has been presented to the Council. Budget planning system has been introduced to improve the timeliness of data. 	12	12	

Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
	deliver all of its intended objectives and outcomes.								
SR7 Threat	EU Exit, Single Market and Local Growth Failure to be adequately prepared for the Exit from the EU particularly in relation to the potential impacts on Consumer Protection, Food Safety, Waste Operations Highways, Traffic Management and the business community.	<p>The UK Government left the EU in January 2020.</p> <p>The levels of integration have gone so far that a UK departure will have profound legal, economic, social and political implications irrespective of the type of agreement reached. (Threat) The Council has been preparing on a basis of a no deal exit which could have significant impacts on the local economy, communities, infrastructure and on council services.</p> <p>The EU transition may affect Cheshire East in many different ways e.g. changes in demand, changes to economic sectors, including the rural economy, and the labour market in the local area, significant impacts on local companies, possible successor regional aid funding schemes, changes to trading legislation and enforcement impacts, state aid and procurement laws.</p>	Executive Director of Place	Environment and Regeneration	12	<ul style="list-style-type: none"> The Council will need (with others in through the local resilience forum) to try to minimise possible disruption alongside business as usual. (Impact) Planning for disruption and any disruption as a result of pre and post Exit may have a detrimental effect on finance and capacity to deliver the Council's business as usual and the timeliness and quality of corporate objectives. The UK Government have confirmed that EU structural funds (the ESIF programme) will be maintained until the end of the current parliament (2020) CEMART group has been established. 	16	8	
SR8 Threat	Decision Making Risk that the Council's Constitution is insufficiently detailed and/or contains inaccurate or ambiguous information leading to ineffective and inefficient decision making processes resulting in a failure to ensure value for money and on compliance with best practice and statutory responsibilities.	<p>Sound governance processes including oversight by officers and members will mitigate the risk.</p> <p>No significant changes made to the Constitution during 2020/21 to date. Work to implement virtual committee meetings has been completed. This has ensured the Council has continued to function, with decision making not being inhibited by the impact of COVID-19. PCC elections have been postponed until May 2021 and a by-election has also been postponed due to COVID 19.</p>	Executive Director of Corporate Services	Corporate Services and Public Health	12	<ul style="list-style-type: none"> Constitution amendments overseen by Constitution Committee Working party overseeing development of Committee system governance change Use of urgency powers Covid plans 	6	6	
SR9 Threat	Capital Projects Risk that the Council's major capital projects are insufficiently managed to ensure that they are delivered on time, on budget and at the required quality level	<p>Each major capital scheme has its own programme governance in place. In addition the council's Assets Board reviews major projects.</p> <p>Robust management of projects Financial controls in place</p>	<p>Executive Director of Place</p> <p>Executive Director of People</p>	Finance, IT and Communications	16	<ul style="list-style-type: none"> Robust management of projects Financial controls in place Governance mechanisms include Corporate Board overseeing all capital schemes (Assets Board). Individual schemes have appropriate governance. Review of resources for each 	12	12	



Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
		Governance mechanisms include Corporate Board overseeing all capital schemes (Assets Board). Individual schemes have appropriate governance. Review of resources for each scheme being undertaken.							
SR10 Opp	Infrastructure Investment Securing the required investment to support our major infrastructure and development priorities particularly in relation to HS2 and delivery of the Crewe Hub	<p>The council has strengthened its working arrangements with local public sector partners, government departments and commercial investors. The council has secured significant capital allocations to support major regeneration and development project to support key development projects in Crewe and Macclesfield. This risk requires ongoing work and monitoring to ensure that the opportunities come to fruition.</p> <p>Cheshire East Council chairs the Partnership Board with partners including Government, HS2, and National Rail. Business Case being developed with support from the Local Enterprise Partnership and future decisions will be taken through Cabinet / Council</p>	Executive Director of Place	Environment and Regeneration	16	<ul style="list-style-type: none"> This risk will be reviewed by the HS2 Programme Board on a monthly basis and the chair informs CLT accordingly. Day to day management of the actions in place to reduce the risk is a combination of the PB3: Business Case and Investment Integration, the Programme Director and the Programme Manager. The controls above will be used to monitor the risk. There have been no control failures to date. In fact, the controls in place today are probably stronger than at any point in achieving the objective. This is commensurate to the closing window of opportunity and the increase in work required by the council to turn the outputs of the consultants Business Case work. Future issues may arise if the dedicated resource currently requested is not quickly put in place to release the efficiencies of working a close dedicated team brings. Ultimately, while the Council can control the technical evidence, business case formation and the technical level negotiation with Government Departments, the risk is being impacted on by recent Government administration changes and the resultant changes in Government policy. 	8	8	↔
SR11 Threat	Pandemic virus Ongoing risk of genetic shift resulting in rapidly spreading strain of influenza and other diseases previously unseen in humans for which no preventative treatment is available. In addition to the human health risks pandemic flu poses a risk to healthcare capacity and CEC business continuity.	<p>There is at present no means of removing the COVID-19 virus from the population or its associated risks. Managing the spread and mitigating against the impact is what we have to continue to work on in partnership with all those living and working in Cheshire East (in collaboration with partners across the sub-region and Cheshire and Merseyside).</p> <p>A second wave of the virus is developing and will coincide with the flu season, increasing risks to individuals and placing additional pressures on health and social</p>	Chief Executive	<p>Adult Social Care and Health</p> <p>Children and Families</p> <p>Corporate Services and Public Health</p>	8	<ul style="list-style-type: none"> Review pandemic flu and business continuity plans Work with Local Resilience Forum (LRF) partners together to plan for the management of: <ul style="list-style-type: none"> Demand on the NHS and social care Co-ordination of vaccinations Public awareness and media management Excessive levels of death. Ongoing COVID-19 pandemic poses risk of need for local lockdowns and increased pressures being placed on local health and care settings and workforce. Financial impact - see SR3 	16	16	↔

Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
		care providers. Local Authorities are being requested to take on more responsibilities in relation to local contact tracing. There will be additional financial pressures and workload pressures on organisations and staff across health and social care as a result.				<ul style="list-style-type: none"> Test and Trace hub established, and local contact tracing in place. Significant learning from first phase of COVID-19 pandemic informing future response and recovery planning. 			
SR12 Threat	Fragility and failure in the social care market Increased pressure within the Social care market, rising costs, increasing complex needs and funding pressures, which have been exasperated by Covid 19 increases the likelihood of multiple provider failure and market collapse.	The COVID 19 pandemic has placed immense strain on the Provider market since March 2020. The Council has been proactive in supporting providers and continues to do so. Staffing remains a significant issue, but the reputation of care homes has been damaged because of the numbers of deaths and restrictions placed on visiting and this appears to be impacting upon level of demand for places – further impacting upon the financial pressures of the providers and increasing the risk of provider failure.	Executive Director of People	Adult Social Care and Health	16	<ul style="list-style-type: none"> ASC/ Commissioning continue to respond to significant challenges pertaining to the acceleration of prevention. ASC/Commissioning and Communities have developed a Standard Set of Fit for the Future Contracts The Council has recommissioned residential care and domiciliary care which should enable sustainability within the market. Continue to monitor and review preventative and support service activity. Improved utilisation of public health JSNA and wider regional data sets informing future commissioning plans. Develop engagement with community groups and 3rd sector. Continue to strength and develop liquid logic and controcc solutions to better map trend and demand. To monitor and review thresholds and gatekeeping processes. Review and strengthen partnership working with wider agencies. A fee review has been undertaken with the market and recommendations made to Cabinet in respect of future fee levels. * Ongoing support for care providers to assist in their response to the COVID-19 outbreak 	16	n/a	
SR13 Threat	Reputation: Risk that consideration is not given and management action is not taken, to effectively manage the reputation of the Council, leading to a loss of public confidence, threatening the stability of the Council and our ability to meet the corporate priorities.	Media training programme for key spokespersons Communications and media function advised at an early stage of all future demand and emerging issues to enable effective planning Effective monitoring and reporting of organisational reputation and sentiment.	Chief Executive	All affected	16	<ul style="list-style-type: none"> Continue media training programme for key spokespersons Communications and media function advised at an early stage of all future demand and emerging issues to enable effective planning Effective monitoring and reporting of organisational reputation and sentiment 	9	n/a	

Risk Ref	Risk Description	Commentary	Risk Owner	Lead Cabinet Portfolio	Gross Score	Risk Management Activity	Current Net Risk Score	Previous Net Risk Score	Direction of Travel
SR14 Threat	Climate Change Risk that the Council has an increased cost due to implementation of the climate change strategy and balanced against the impacts of extreme weather conditions.	Cheshire East Council committed itself to becoming carbon neutral for its own operations by 2025 and to using its influence to assist the borough in reducing its carbon impact. To enable this a Carbon Action Plan was produced to detail the measures that would need to be taken in order to achieve this commitment. Appropriate risk assessed budgets and reserves levels will be considered as part of the MTFS 21/22	Executive Director of Place	Environment and Regeneration	16	<ul style="list-style-type: none"> Carbon Action Plan Environmental Strategy Carbon Board ELENA Programme 	9	n/a	
SR15 Threat	Business rates Current system of business rates does not allow the Council to benefit proportionally from the level of rates collected. This could have effect on the MTFS if BR are changed.	The Council continues to engage with consultation and networks which lobby Government in order to ensure the Council is sighted and involved in any changes to Business rate allocations which are proposed.	Executive Director Corporate Services	Finance, IT and Communications	9	<ul style="list-style-type: none"> The Council engage and respond to consultation when required The Council is involved in networks such as CCN, LGN to lobby government 	6	n/a	
SR16	Council funding / Economic Risk Ongoing and future changes to the financial framework - including several changes to national funding regimes - has increased the Council's reliance on self-financing. The combined external national economic shocks of EU transition and COVID -19 will have a severe detrimental impact on Cheshire East economy resulting in a protracted reduction in economic growth. This recession is expected to increase the number of local business failures resulting in: a loss of business, employment and consumer confidence in Cheshire East; and severe impacts on the Councils income and exert pressure on its revenue and capital programmes.	The risk has been assessed as high due to the impact of COVID -19 and also EU transition creating increased financial pressure and uncertainty in the business community. Although there are significant programmes of activity to treat the risk and support business and communities. This has an impact on the council's financial standing.	Executive Director of Place	Finance, IT and Communications	16	<ul style="list-style-type: none"> Production of comprehensive plan to address the emerging risk which develops programmes of activity 	16	n/a	

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Risk Titles		
T=Threat / O=Opportunity		
SR1	Increased Demand for People	T
SR2	NHS Funding and Health Care Partnership Plan	T
SR3	Financial Resilience	T
SR4	Cyber Security	T
SR5	Business Continuity	T
SR6	Capacity and Demand - Corporate Enablers	T
SR7	EU Exit	T
SR8	Decision Making	T
SR9	Capital Projects	T
SR11	Pandemic Virus	T
SR12	Failure and Fragility in the Social Care market	T
SR13	Reputation	T
SR14	Climate Change	T
SR15	Business Rates	T
SR16	Funding / Economic	T
		T
Opportunities		
SR10	Infrastructure Investment	O

Threat	
Opportunity	



	Factor	Score
Threats	Critical	4
	Major	3
	Significant	2
	Minor	1
	Factor	Score
Opportunities	Exceptional	4
	Significant	3

SCORING CHART FOR IMPACT	
Effect on Corporate Objectives	Factor
Critical impact on corporate objectives and performance and could seriously affect reputation. Long term damage that may be difficult to restore with high costs.	Very likely
Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.	Likely
Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.	Unlikely
Minor impact on the corporate objectives and performance, could cause slight delays in achievement. However if action is not taken, then such risks may have a more significant cumulative effect.	Very unlikely
Effect on Corporate Objectives	Factor
Result in major increase in ability to achieve one or more strategic objectives	Very likely
Impact on some aspects of the achievement of one or more strategic objectives	Likely
	Unlikely
	Very unlikely

SCORING CHART FOR LIKELIHOOD

Score	Description	Indicator
4	>75% chance of occurrence	Regular occurrence Frequently encountered - daily/weekly/monthly
3	40% - 75% chance of occurrence	Within next 1-2 yrs Occasionally encountered (few times a year)
2	10% - 40% chance of occurrence	Only likely to happen 3 or more years
1	<10% chance of occurrence	Rarely/never before
Score	Description	Indicator
4	>75% chance of occurrence or achieved in one year.	Clear opportunity, can be relied on with reasonable certainty to be achieved in the short term.
3	40% to 75% chance of occurrence. Reasonable prospects of favourable results in one year.	May be achievable but requires careful management. Opportunities that arise over and above the plan.
2	<40% chance of occurrence or some chance of favourable outcome in the medium term.	Possible opportunity which has yet to be fully investigated by management.
1	<10% chance of occurrence	Has happened rarely/never before



Working for a brighter future together

Audit and Governance Committee

Date of Meeting: 11th November 2020

Report Title: Audit and Governance Committee Composition and Structure

Senior Officer: David Brown, Director of Governance and Compliance

1. Report Summary

- 1.1. To set out various aspects for the Committee to consider in relation to its future composition and structure, prompted by recommendations from the Corporate Peer Review, the move to the Committee system, and the term of the current co-opted independent member completing in March 2021.

2. Recommendations

- 2.1. That the Committee establishes a working group with Terms of Reference as set out in the report, and with a membership as recommended at paragraph 3.9 of the report.
- 2.2. That the working group be asked to make recommendations to the Audit and Governance Committee for such changes as appear to be desirable in order to address relevant recommendations from the Corporate Peer Review and the proposed move to the Committee System of governance.
- 2.3. That, following consideration of the Working Group's recommendations, the Audit and Governance Committee makes such recommendations for Constitutional change to the Constitution Committee as appear to be desirable.

3. Background

- 3.1. Cabinet received the LGA report on the Corporate Peer Challenge in June 2020. The report included the following in relation to the Audit and Governance Committee

The Audit and Governance Committee of the Council has made improvements in recent years with much more effective challenge being provided through this committee, including reviews of contracts due for

renewal. There is currently one 'independent person' on the Committee who is not a member of the council and can therefore help to provide independent challenge. However, the size and membership of the committee may benefit from review to ensure the committee can operate effectively and provide sufficient challenge across all areas of responsibility, including on financial matters.

- 3.2. The Audit and Governance Committee Membership has included a co-opted independent member since March 2017, following changes to membership approved by Council in October 2015. Whilst not mandated in legislation, the inclusion of at least one co-opted independent member is strongly recommended by CIPFA (Audit Committees – Practical Guidance, 2018). The co-option of an independent member helps to bring additional knowledge and expertise to the committee and also reinforces its political neutrality and independence.
- 3.3. The Council on 22nd October 2015 resolved that the independent member be a voting member. However, the authority should have regard to section 13 of the Local Government and Housing Act 1989 which relates to the voting rights of non-elected committee members. In essence, where a committee is acting in an advisory capacity and making recommendations, all members of the committee should be able to vote on the recommendation. Where the Council has delegated to the Committee decisions such as the adoption of financial statements, the independent member should not be able to vote on those matters.
- 3.4. The Audit and Governance Committee's current co-opted independent member completes his term in March 2021, and it is timely for the Committee to consider the number of co-opted independent members before the process of recruiting for the next fixed term of 4 years begins.
- 3.5. With the move to the Committee system progressing, this is also an opportune moment to consider the future size of the Committee, as per the comments of the Corporate Peer Challenge feedback report, and again, the guidance of CIPFA.
- 3.6. There is no prescribed size and format for an audit committee for English local authorities. CIPFA's 2016 survey noted that the size of membership ranged from 5 to 15, with 47% having between 6 and 8 members. The average size of committees has increased since their previous survey in 2011. Political proportionality would need to be observed should the size of the Committee be reconsidered.
- 3.7. As an apolitical Committee, membership of Audit and Governance Committee should ensure separation from the Executive, and the

Committee should consider the CIPFA guidance to ensure the composition of the Audit and Governance Committee continues to demonstrate separation from decision making in the context of a Committee System.

- 3.8. To progress these considerations further, it is suggested that the Committee establish a working group. The working group will be supported with resource from Democratic Services and Audit and Risk as needed.
- 3.9. The Working Group may be but does not have to be politically proportionate. However, given the nature of work which the Working Group will be undertaking, it is recommended that workable balance of membership could be achieved with a membership of 6 (2:2:1:1).
- 3.10. The following are suggested for the working group's terms of reference;
 - 3.10.1. Review the structure and size of the Audit and Governance Committee in line with the recommendations of the Corporate Peer Review and the CIPFA guidance and make recommendations as needed.
 - 3.10.2. Review the number of co-opted independent members and make recommendations for changes as needed
 - 3.10.3. Identify any other associated recommendations arising as a result of the move to the Committee structure

4. Implications of the Recommendations

4.1. Legal Implications

- 4.1.1. Under the Council's constitution, the Committee may establish standing and time-bound working groups (which may, but need not be, politically balanced) to consider any matters within the terms of reference of the Committee. Governance arrangements in relation to the recommendations of the working group will follow 2.2 and 2.3 above.
- 4.1.2. The Localism Act 2011 amended the Local Government Act 2000 to allow councils to revert to a non-executive form of governance i.e.. a committee system.
- 4.1.3. In relation to recommendations arising as a result of the proposed move to the Committee structure, the working group should be aware that Council must allocate seats on Committees to give effect to the political balance rules. The rules for the allocation of seats are set out in Sections 15 and 16 of the Local Government and Housing Act 1989 and Local Government (Committees and Political Groups) Regulations 1990.

4.1.4. The Accounts and Audit (England) Regulations 2015 say that a local authority is responsible “for a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective and includes effective arrangements for the management of risk”; and section 151 of the Local Government Act 1972 requires every local authority to “make arrangements for the proper administration of its financial affairs”. Therefore, whilst primary responsibility for these arrangements lies with the Council’s s.151 officer, the role of the Committee in providing oversight, challenge and assurance is critical in supporting this.

4.1.5. The working group should be guided and assisted by the CIPFA guidance ‘Audit Committees: Practical Guidance for Local Authorities and Police’ 2018.

4.2. Finance Implications

4.2.1. Current arrangements in place are consistent with those for other non-elected, co-opted committee members. There are no financial implications outside of the MTFs for the creation of a working group. Officer advice to the working group can be provided within existing resources.

4.2.2. The financial implications of any recommendations arising from the Working Group requiring amendment to the MTFs would need to be identified as part of the working group’s report to the Audit and Governance Committee.

4.3. Policy Implications

4.3.1. The proposal to create a working group will ensure that the Committee considers best practice and changes to the governance system operation and identifies recommendations to ensure the Committee composition and structure is appropriate for local requirements.

4.4. Human Resources Implications

4.4.1. There are no direct Human Resources Implications.

4.5. Risk Management Implications

4.5.1. Failure to consider these aspects may undermine future effectiveness of the Committee’s ability to achieve its objectives.

4.6. Rural Communities Implications

4.6.1. There are no direct implications for rural communities.

4.7. Implications for Children & Young People/Cared for Children

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

4.8. Public Health Implications

4.8.1. There are no direct implications for public health.

4.9. Climate Change Implications

4.9.1. There are no direct implications for Climate Change

5. Ward Members Affected

5.1. Implications are Boroughwide.

6. Access to Information

6.1. CIPFA – Audit Committees – Practical Guidance (2018).

7. Contact Information

7.1. Any questions relating to this report should be directed to the following officers:

Name: Josie Griffiths

Job Title: Head of Audit and Risk

Email: josie.griffiths@cheshireeast.gov.uk

Name: Brian Reed

Job Title: Head of Democratic Services and Governance

Email: brian.reed@cheshireeast.gov.uk

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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: Maladministration Decision Notices from Local Government and Social Care Ombudsman – April – August 2020

Senior Officer: David Brown, Director of Governance and Compliance

1. Report Summary

- 1.1. This report provides an update on the Decision Notices issued by the Local Government and Social Care Ombudsman "the Ombudsman" when his investigations have found maladministration causing injustice to complainants. The report details the decisions made between 1st April and 30th August 2020. There were 3 decisions in which the Ombudsman found that there was maladministration causing injustice; the relevant departments have actioned the recommendations and learned lessons from the investigation outcomes. It is not possible to report on any Decision Notices issued from September 2020 onwards, as the Ombudsman imposes a three-month reporting embargo. Any decisions received after 30th August 2020 will be reported at a subsequent Audit & Governance meeting.
- 1.2. The report also provides an updated summary of the referrals the Local Government and Social Care Ombudsman (LGSCO) received about Cheshire East Council during 2019/20. These referrals were reported at the July 2020 Audit & Governance Committee as part of the [Annual Report of the Monitoring Officer](#) but, following the Council's receipt of the Ombudsman's annual report, the figures have been updated and are outlined in this report to account for the total number of cases not investigated by the Ombudsman.
- 1.3. A question was raised at Council on 21 October 2020 about the development of a KPI around LGSCO findings of maladministration to enable a comparison over time. Full details of the numbers of complaints received by the Council, which includes a comparison to the previous year, is reported to the Committee as part of the Monitoring Officer's annual report. Details of specific cases of findings of maladministration, including the LGSCO's recommendations and actions taken by services, and lessons learned are included in these regular reports to Committee. Therefore, members already have sight of this information.

2. Recommendation

- 2.1. That the Committee notes the contents of this report and makes any further response it considers appropriate.

3. Reasons for Recommendation

- 3.1. The Terms of Reference for the Audit & Governance Committee include seeking assurance that customer complaint arrangements are robust and that recommendations agreed with the Ombudsman are being implemented.

4. Other Options Considered

- 4.1. This is not applicable.

5. Background

- 5.1. The Local Government Act 1974 established the Local Government and Social Care Ombudsman. It empowers the Ombudsman to investigate complaints against councils and adult social care providers and to provide advice and guidance on good administrative practice. Once a complainant has exhausted the Council's Complaints procedure, their next recourse, should they remain dissatisfied with the Council's response, is to contact the Ombudsman.
- 5.2. The Ombudsman will assess the merits of each case escalated to them and seek clarification from the Council as necessary before making the decision to investigate a complaint. Once the Ombudsman decides to investigate, they will try to ascertain if maladministration has occurred and whether or not there has been any resulting injustice to the complainant as a result of the maladministration.
- 5.3. In instances where maladministration with injustice are found, the Ombudsman will usually make non-legally binding recommendations which they consider to be appropriate and reasonable. Although not legally binding, refusal to accept the Ombudsman's recommendation(s) will trigger a Public Report.
- 5.4. A Public Report is a detailed account of the complaint, outlining the failures by the Council in the particular investigation; this can have a significant damaging effect on the Council's reputation.
- 5.5. During the period between 1st April and 30th August 2020 the Council received three Decision Notices in which the Ombudsman has concluded that there has been maladministration causing injustice. The details of these cases can be found in Appendix 1.

- 5.6. **Data Protection** – The complaint, which was originally considered in November 2019, was in relation to the way in which the Council processed a request for social care records from when the complainant was a child. The complainant was dissatisfied with the way in which the information was supplied and that no support was provided when the information was disclosed.
- 5.6.1. The Ombudsman acknowledged that the Council had upheld the complaint in the complainant's favour when it considered the matter through its complaint's procedure but still found the Council at fault for incorrectly processing the request rather than referring the request to the Regional Adoption Agency. This agency could then have decided the most appropriate way to share the care records.
- 5.6.2. As a result, the Ombudsman recommended that the Council issue an apology to the complainant and a payment of £300 in recognition of the avoidable distress caused by the fault. The service has completed these recommendations and has also implemented an initial questionnaire when subject access requests are received to help ascertain what information requesters are already aware of. Responses also include a 'distress warning' where necessary, advising individuals to seek support and assistance when reading case files. It has also issued reminders to staff to be more vigilant in identifying requests which should be referred to the Regional Adoption Agency.
- 5.7. **Fostering** – The complainant raised concerns in August 2018 that the Council reduced her payments when the child she was providing foster care for reached the age of 18 and the care changed from being foster care to a "staying put" arrangement. She also complained the Council had not fully involved her in the planning process during this transition period which left her at a considerable financial loss as a result.
- 5.7.1. Although the Ombudsman found no fault with the level of involvement the complainant had in the planning process during the transition period, it found the Council at fault for not having provided enough information about the staying put agreement and how it differs from a foster placement. This caused the complainant distress and was left uncertain about the financial implications for her such as leaving her with unpaid mileage expenses she incurred whilst providing support for the foster child. The Ombudsman also found fault in the way in the Council carried out a joint needs assessment of the foster child whilst he transitioned to a young adult under a "staying put" arrangement as the assessment did not fully reflect his needs which at the time were being met by the complainant in her role as foster carer but was uncertain she could continue to do so as a staying put carer with reduced financial support. It also

found the Council at fault for not considering the complaint further under its internal complaints procedure.

- 5.7.2. The Ombudsman recommended that the Council issue an apology for the faults identified, that it pays £1000 and that it reimburses any mileage costs not paid during the period in question. It also recommended that the Council carry out a fresh needs assessment for the now young adult to clarify his current eligible needs in consultation with the complainant. Once this is completed it should also meet and update the complainant to explain the Council's expectations regarding future care of the young adult and to clarify what it will pay her. Additionally, it has recommended the Council reviews its staying put policy to address the shortcomings identified, that it reminds relevant staff of the need to start planning for transition to adulthood whilst ensuring that carers have sufficient information to make an informed decision about whether to continue to provide care on a staying put basis, as well as reviewing its complaints process to ensure it does not exclude complaints where a person is asking the Council to exercise its discretion over how to apply a policy or when to depart from it.
- 5.7.3. The required actions set out by the Ombudsman have since been completed. The Fostering Service has also considered the recommendations from this finding within its service improvement plan and is looking at developing a specific Post 18 team which would provide ongoing support to 'Staying Put' carers. Whilst this was not a recommendation made by the Ombudsman the service believes that this would greatly enhance the current offer and provide more stability to carers and the young people living with them.
- 5.8. **Special Educational Needs Complaint** – The complainant raised concerns in June 2019 that his stepchild's Education, Health and Care Plan (EHCP) annual reviews had not been carried out correctly in January 2018 and 2019. He also complained about the quality of the communication he received from the Council.
- 5.8.1. The Ombudsman found the Council at fault for failing to identify that despite the child's school incorrectly notifying the Council that the EHCP did not require amending in 2018, from the information supplied with this notification it should have been apparent to the Council that amendments were needed. The Council also failed to issue the statutory notice informing the child's parents that it did not intend to amend the EHCP. However, the Ombudsman concluded this error did not cause any injustice as the school was working in accordance to the amendments it had intended to implement, and the complainant did not raise concern about the delivery of these provisions. The Ombudsman also found fault with the annual review conducted in 2019 as although the Council issued an amended plan within the required timescales, it did not first issue a draft amended plan. Although, the Ombudsman

acknowledged that this fault was unlikely to have caused the complainant further injustice as he wanted the process to complete as soon as possible so he could appeal to the SEND Tribunal.

- 5.8.2. The Council agreed to issue a payment of £400 in recognition of the injustice the complainant experienced throughout the matter as a result of the Ombudsman's investigation. The Council also explained that since it had considered this complaint it had already completed work to review all procedures relating to the Annual Review process and general record keeping which included the delivery of training and the issuing of guidance to SEND Keyworkers regarding the timescales following annual reviews and ensure accurate records are kept for children and young people with EHCP's. The Ombudsman was satisfied with this action and made no further recommendations.
- 5.8.3. The service is subject to a Written Statement of Action and is expecting an Ofsted revisit in Spring 2021. The priority for the SEND Partnership has been to address the significant areas of improvement required and therefore annual reviews have not been given priority. Annuals reviews were not a significant area of weakness and therefore have not been given the same level of priority.
- 5.8.4. However, steps have been taken in the last nine months to improve the annual review process. This has involved coproducing a new process and paperwork with the parent carer forum and the development of a real time tracker so workloads can be monitored. Furthermore, the service is recruiting additional capacity in the permanent teams to develop a sustainable system; though with significant increases in new Education, Health and Care plans, capacity will need to be kept under review.
- 5.8.5. The service is also looking to reduce the demand on the service with training for schools to ensure we are not receiving requests to amend plans where these are not needed. The Ombudsman has recognised the work that is taking place which is why no further recommendations were made which is a positive recognition that the Local authority is already addressing the issues raised with them.

5.9. Referrals to the LGSCO

- 5.9.1. The number of referrals to the Ombudsman during 2019/20 has been previously reported at the July 2020 Audit & Governance Committee meeting as part of the [Annual Report of the Monitoring Officer](#). However, following the Council's receipt of the Ombudman's annual report, the figures have been updated to account for the 39 cases they decided not to investigate.

- 5.9.2. The table below provides a comparison to the previous year and appendix 2a and 2b provide a further breakdown of the service areas which the cases relate to.

	2018/19	2019/20
Number of Cases closed	116	112
Number of Decision Notices issued	78	73
Number of Cases Not Investigated	38	39
Number of Cases Not Upheld	14	12
Number of Cases Upheld	14	17
LGSCO Uphold Rate (Upheld vs Not Upheld)	50%	59%

- 5.9.3. In 2019/20 the Ombudsman carried out detailed investigations on 29 cases. In 17 of these cases the detailed investigation found maladministration with injustice and upheld the complaint in the complainant's favour. In 12 cases the detailed investigation found no fault with the Council's actions and were not upheld. This gives the authority an uphold rate of 59% of the detailed investigations decided by the LGSCO in 2019/20, which is an increase from the 50% uphold rate in the previous year and 3% above the national average uphold rate of 56%. It is worth noting that the number of cases upheld (17) represents less than 1% of the total number of complaints (2345) the Council received during 2019/20.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. There are no legal implications flowing directly from the content of this report.

6.2. Financial Implications

- 6.2.1. If fault causing injustice is found, the Council can be asked to pay compensation to a complainant, the level of which is determined on a case by case basis. The cost of such compensation is paid for by the service at fault. In the cases outlined in this report the Council was required to make compensation payments totalling £1700.

6.3. Policy Implications

- 6.3.1. Adherence to the recommendations of the Ombudsman is key to ensuring that customers have objective and effective recourse should they be unhappy with the way in which the Council has responded to their complaint.

6.4. Equality Implications

- 6.4.1. There are no equality implications flowing directly from the content of this report.

6.5. Human Resources Implications

6.5.1. There are no HR implications flowing directly from the content of this report.

6.6. Risk Management Implications

6.6.1. There are no risk management implications.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.11. There are no direct implications to climate change.

7. Ward Members Affected

7.1. There are no direct implications for Ward Members.

8. Access to Information

8.1. Please see Appendix 1.

9. Contact Information

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

Name: Juan Turner

Job Title: Compliance and Customer Relations Officer

Email: juan.turner@cheshireeast.gov.uk

Appendix 1 - Ombudsman Decisions where Maladministration with Injustice has Taken Place

April – August 2020

Service	Summary and Ombudsman's Final Decision	Agreed Action	Link to LGSCO Report	Action Taken	Measures Implemented	Lessons Learnt
Data Protection	<p>Mr X complained about the way the Council processed his request for social care records. He said the Council did not share his records correctly which caused him avoidable distress.</p> <p>The Ombudsman found fault as the Council failed to consider Mr X's request for his care records through the correct procedure and recommended that the Council apologise and pay £300 to remedy the injustice caused.</p>	<p>Within one month of the final decision the Council has agreed to apologise to Mr X for how it disclosed his social care records and pay him £300 for the avoidable distress caused by the fault.</p>	<p>https://www.lgo.org.uk/decisions/children-s-care-services/other/19-013-552</p>	<p>The £300 payment and apology has been issued to the complainant.</p>	<p>Revised Subject Access Request form to include details of what the requester is already aware of in their records.</p> <p>Responses include a 'distress warning', where necessary, advising individuals to seek support and assistance when reading case files.</p> <p>Staff have been reminded to be vigilant about requests which should be referred to the Regional Adoption Agency.</p>	<p>Staff to be clear with requesters about what they already know about their past.</p> <p>Ensure the team are aware of the types of requests which should be referred to the Regional Adoption Agency.</p> <p>Avoid sending sensitive responses by email on a Friday.</p>

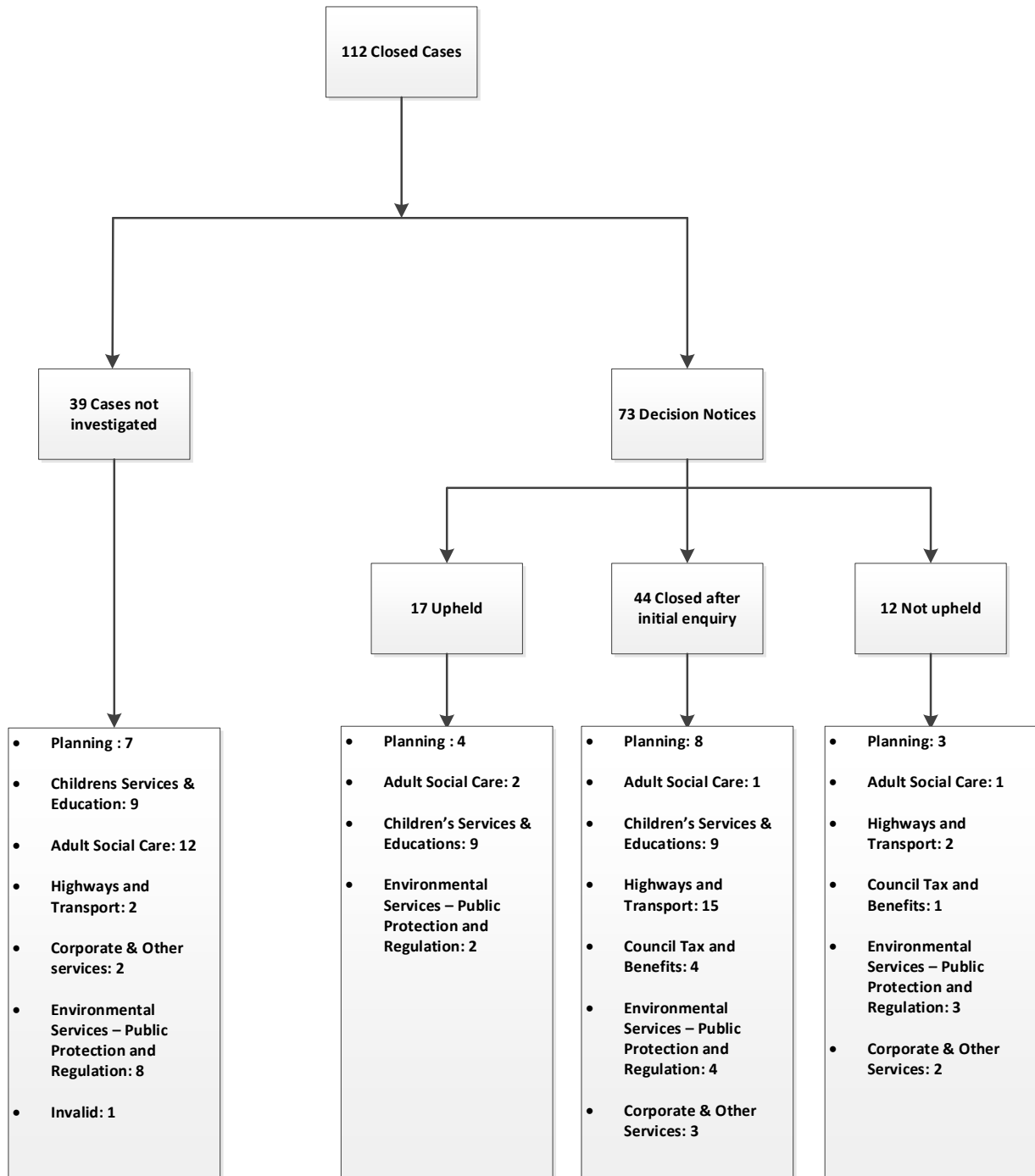
Fostering	<p>Mrs X complained the Council reduced its payments to her when her care of Y changed from being foster care to a “staying put” arrangement.</p> <p>The Ombudsman found the Council had failed to provide adequate information about the staying put arrangement so Mrs X could make an informed choice about caring for Y on this basis before he turned 18. It recommended that the Council pay Mrs X £1,000 to remedy the injustice caused and make changes to its processes.</p>	<p>Within one month of the final decision the Council has agreed to apologise to Mrs X for failing to provide adequate information about the financial package for the staying put arrangement failings in the needs assessment that may have impacted on the financial package offered, and failing to clearly explain the changes to her role when she became a staying put carer for Y. It should also pay her £1,000 for the distress and uncertainty caused by these faults. As well as reimburse any mileage costs not paid prior to Y having a car to drive himself to activities.</p> <p>Within 3 months of the date of the final decision the Council should carry out a fresh needs assessment for Y to clarify his current eligible needs. It should consult with Mrs X as part of that assessment. It should meet with Mrs X to explain its expectations regarding Y's future care in light of the updated needs assessment and to clarify</p>	Not yet published on the LGO's website	<p>The apology has been issued and the £1000 payment has been made to the complainant.</p> <p>The ‘Staying Put’ policy has been re-written and is awaiting final approval at the Policy and Procedure working group.</p> <p>The means of identifying any outstanding mileage for this carer has been agreed and the outstanding amount is being processed immediately.</p> <p>The new assessment for Y is being concluded by a social worker from Adult Services.</p>	<p>Policies are being refreshed and will be implemented once finalised.</p> <p>Training developed to be delivered across Children's and Adult Services.</p> <p>A ‘Post 18 Support Team which will include direct support being offered to ‘Staying Put’ carers and access to ongoing training, normally only available to foster carers is being developed.</p> <p>Adult services have also developed a designated Transition Team to provide support.</p>	<p>The previous policy was not clear about the financial remuneration that carers of young people with additional needs would receive as ‘staying put’ carers. This has added to confusion for both the carer in this case and the Fostering Service.</p> <p>We need to ensure that we are robust in the working together practice between Children and Adult Services as not being joined up can have a negative impact on the timeline for outcomes of the young person.</p>
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		<p>what it will pay her. It should also review its staying put policy to ensure it clearly sets out what it will and will not pay staying put carers and how this differs from arrangements for foster carers. It should remind relevant staff of the need to start planning for transition to adulthood at least 12 months before the looked-after child turns 18 and ensure that carers are given sufficient information to make an informed choice about whether to continue to provide care on a staying put basis;</p> <p>It should also review its complaints process to ensure it does not exclude complaints where a person is asking the Council to exercise its discretion over how to apply a policy or when to depart from it.</p>				
Special Educational Needs	Mr X complained the Council failed to carry out his stepson, Education, Health and Care Plan annual reviews in 2018 and 2019.	Within in one month of the final decision ensure that that a payment of £400 is issued in recognition of the injustice casued.	Not yet published on the LGO's website	The £400 payment and apology has been issued to the complainant.	1. The service have set up an interim annual review team who are focusing on overdue reviews.	The service is subject to a Written Statement of Action and is expecting an Ofsted revisit in Spring 2021

	<p>The Ombudsman found the Council at fault when it failed to follow the correct procedures after deciding to amend the Plan. The Ombudsman was satisfied that the Council had offered Mr X £400 to remedy the injustice caused and that it had also demonstrated it has reviewed its procedures around annual reviews.</p>				<p>2.The annual review process has been reviewed and all paperwork has been updated. This was coproduced with our parent carer forum</p> <p>3.The service have deveoped a real time tracker so that progress on annual reviews is understood and work can be allocated.</p> <p>4. Schools are being given training on using the portal in order that they can upload their review paperwork straight into the system. Clear messages are being given to schools of when plans will need to be amended following a review haven taking place.</p>	<p>(Potentially delayed by 12 months due to Covid). Priority has been given to the significant areas of improvement required. An additional interim team has been put in place to address overdue reviews. Capacity in the service will need to be kept under review as the demand continues to increase significantly. Analysis of complaints, LGSCO and Tribunals is reviewed by the SEN Management Team to ensure that learning is identified and practice changed where needed.</p>
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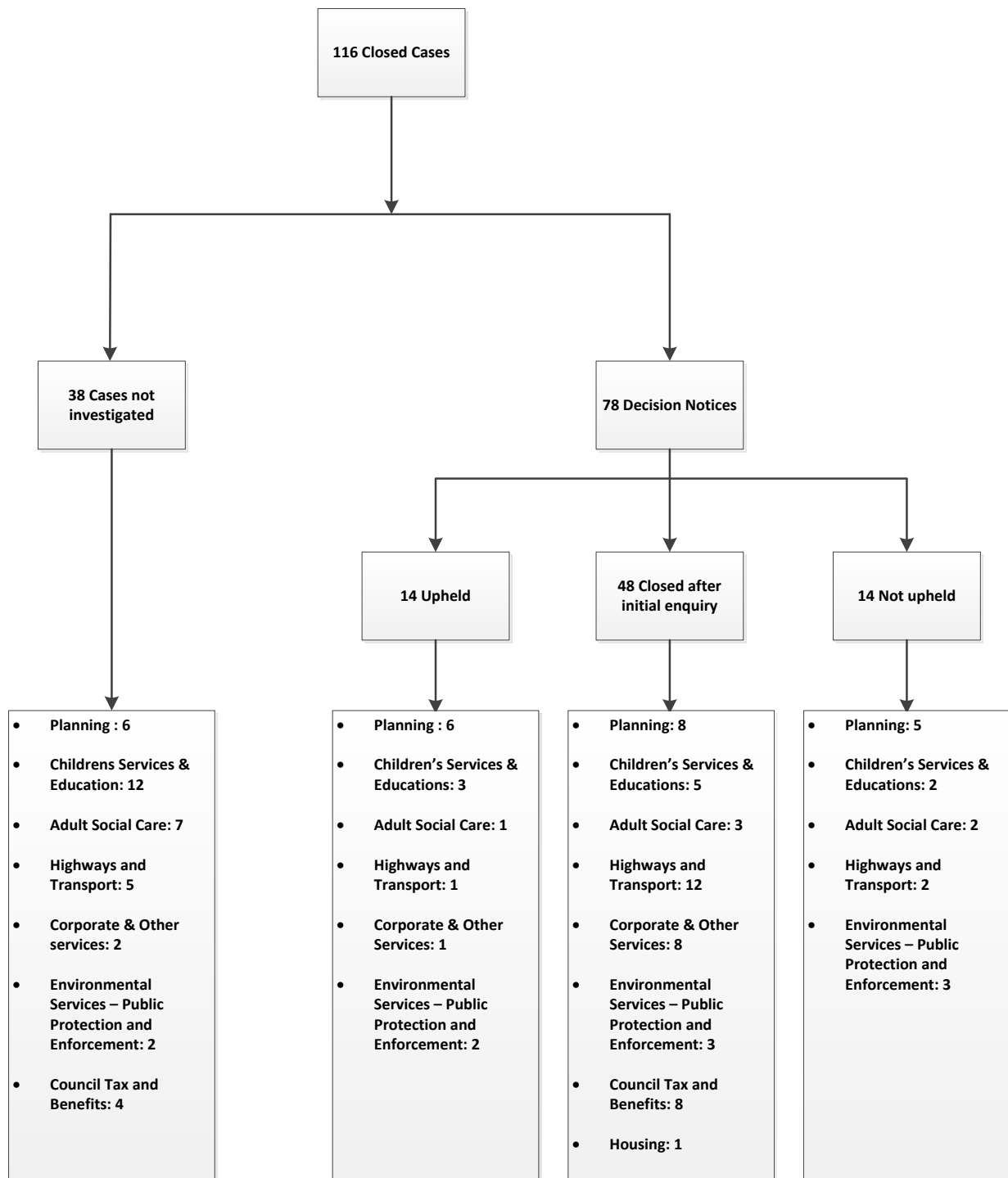
LGSCO DECISION NOTICES 2019/20

Appendix 2a



LGSCO DECISION NOTICES 2018/19

Appendix 2b



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Working for a brighter future together

Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: Committee Work Plan

Senior Officer: Jane Burns, Executive Director Corporate Services

1. Report Summary

- 1.1. This report presents the Committee Work Plan for 2020/21 (Appendix A) to the Committee for consideration and update.

2. Recommendations

- 2.1. That the Committee:
 - 2.1.1. Consider the Work Plan and determine any required amendments;
 - 2.1.2. Note that the plan will be brought back to the Committee throughout the year for further development and approval.

3. Reasons for Recommendations

- 3.1. The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. A forward-looking programme of meetings and agenda items is necessary to enable the Committee to fulfil its responsibilities.

4. Other Options Considered

- 4.1. Not applicable

5. Background

- 5.1. Aspects of the Audit and Governance Committee's agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work

Plan (Appendix A) and establish any amendments that will enable it to meet its responsibilities.

- 5.2. By identifying the key topics to be considered at the Audit and Governance Committee meetings, and receiving appropriate reports, Committee Members are able to undertake their duties effectively and deliver them to a high standard. In turn, this adds to the robustness of the risk management framework, the adequacy of the internal control environment and the integrity of the financial reporting and corporate governance of the Council.
- 5.3. Members will recognise that some items are brought to Committee on a more regular basis than others and ensure that statutory requirements are complied with. There are also individual requirements of the Committee's Terms of Reference which are only used on an ad-hoc basis. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.
- 5.4. In order to help with their deliberations, Members are asked to consider the following:
 - 5.4.1. Care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions.
 - 5.4.2. That the Audit and Governance Committee should operate at a strategic level with matters of operational detail resolved by service managers.
 - 5.4.3. The number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings.
- 5.5. Changes to the Work Plan since the September 2020 meeting of the Committee are as follows:
 - 5.5.1. An update on progress against the Internal Audit plan was scheduled; this was based on the usual updates provided to Committee, however, given the detailed update provided to September, and as work has not yet reached reportable stages, this item has been withdrawn. An update will be provided to the next meeting of the Committee, with a proposed plan for 2021/22 to be presented in March 2021.

- 5.5.2. An additional meeting of the Committee has been requested to take place in January 2021. The Work Plan includes a provisional list of agenda items to be considered at this meeting.

Member Training and Development

- 5.6. Officers will be meeting shortly before this meeting of the Committee to draft proposals for member training and development; once drafted, these will be circulated to Members for comment and feedback, and included in future Work Plan updates

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. The Work Plan for 2020/21 complies with the requirements of the Accounts and Audit Regulations 2015.

6.2. Finance Implications

- 6.2.1. When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

6.3. Policy Implications

- 6.3.1. There are no policy implications in this report.

6.4. Equality Implications

- 6.4.1. There are no direct implications for equality in this report. The Audit and Governance Committee receives assurances from across the organisation.

6.5. Human Resources Implications

- 6.5.1. Members should be satisfied that the inclusion of each item on its agenda results in added value, as the assurance process has a resource implication to the organisation and should therefore be proportional to the risk.

6.6. Risk Management Implications

- 6.6.1. Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position.

However, an effective audit committee can:

- 6.6.1.1. raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations,
- 6.6.1.2. increase public confidence in the objectivity and fairness of financial and other reporting
- 6.6.1.3. reinforce the importance and independence of internal and external audit and any other similar review process
- 6.6.1.4. provide additional assurance through a process of independent and objective review

6.7. Rural Communities Implications

- 6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

- 6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

- 6.10.1. There are no climate change implications in this report.

7. Ward Members Affected

- 7.1. All wards affected.

8. Consultation & Engagement

- 8.1. The Work Plan is prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee. The Work Plan is discussed with the Committee Chair and Vice Chair.

9. Access to Information

- 9.1. Not applicable.

10. Contact Information

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

Name: Jane Burns

Job Title: Executive Director Corporate Services

Email: jane.burns@cheshireeast.gov.uk

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
	11th November 2020			
1	External Audit Findings and Action Plan (Mazars)	Summary of findings from the 2019/20 audit and key issues identified by External Audit in issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources	118	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.
			120	To comment on the scope and depth of external audit work and to ensure it gives value for money.
2	Annual Statement of Accounts 2019/20	Approval of the Audited Statement of Accounts for 2019/20	123	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
3	Annual Governance Statement 2019/20	Approval of the Annual Governance Statement 2019/20	94	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
4	Draft Treasury Management Strategy and Minimum Revenue Provision Statement	Update on the contents of the Council's Treasury Management Strategy for 2020/21. The CIPFA Treasury Management Code of Practice requires all local authorities to	103	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
		make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.		
5	Covid19 – Update on Response and Recovery	As requested by the Committee – update on the Council's response to Covid 19	90	To provide independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
6	Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council.	97	To monitor the effective development and operation of risk management in the council.
7	Audit and Governance Committee Structure and Composition	To review the Committee structure and consideration; including the inclusion of co-opted independent members, as recommended by the LGA Corporate Peer Review.	n/a	No specific reference – the consideration of the Committee's composition is required to ensure it is effective in achieving its purpose.
8	Upheld Complaints to the Local Government Ombudsmen (If required)	Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen. This will need to be a <u>standing agenda item</u> , and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish:	129	Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings. (a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council. (b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
		<ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. 		those protocols when determining how to manage the Audit and Governance Committee's agenda.
9	Work Plan 2020/21	Forward looking programme of meetings and agenda items for 2020/21 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
10 & 11	Contract Procedure Rule Non-Adherences (Part 1 and Part 2)	Report to update Committee on the quantity and reasons for Non-Adherences approved since the last Committee.	95	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
January 2021				
1	Audit and Governance Committee Structure and Composition	To provide an update on work undertaken following the November 2020 Committee.	n/a	No specific reference – the consideration of the Committee's composition is required to ensure it is effective in achieving its purpose.
2	Internal Audit Plan 2020/21: Progress Report	To consider a summary of Internal Audit Work undertaken between September 2020 and December 2020	110	To consider reports from the Head of Internal Audit's performance during the year.
3	Upheld Complaints to the Local Government Ombudsmen (If required)	<p>Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.</p> <p>This will need to be a <u>standing agenda item</u>, and will require ongoing co-ordination between the Compliance Manager, Democratic Services, the responsible service and the Chair/Vice Chair to establish:</p> <ul style="list-style-type: none"> • if there have been any upheld complaints to be reported on to the next agenda • the appropriate part of the agenda for the report to be considered 	129	<p>Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.</p> <p>(a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council.</p> <p>(b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.</p>

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
		<ul style="list-style-type: none"> • clarity on the purpose of the report, the nature of the assurances to be provided in the report, and that this process doesn't duplicate any existing process or reporting. 		
4	Work Plan 2020/21 and 2021/22	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
5	Internal Audit Report into Procurement Controls (Part 2)	To consider a report from Internal Audit following a review of operational procurement and contract award arrangements.	112	To consider summaries of specific internal audit reports as requested.
11th March 2021				
1	Annual Audit Letter 2019/20 (Mazars)	Summary of the External Audit findings from the 2019/20 audit. The letter will also confirm the final audit fee.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
			120	To comment on the scope and depth of external audit work and to ensure it gives value for money.
2	Certification Report	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2019/20 claims and returns.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
3	External Audit Plan 2020/21 (Mazars)	To receive and comment on External Audit's planned work for the audit of	118	To consider the External Auditor's annual letter, relevant reports, and the report to those charged with governance.

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
		financial statements and the value for money conclusion 2020/21.		
4	Annual Governance Statement - Progress Update	Update on actions to improve governance arrangements and respond to emerging issues identified in the 2019/20 Annual Governance Statement. Proposed process for the production of the 2020/21 Annual Governance Statement.	120	To comment on the scope and depth of external audit work and to ensure it gives value for money.
5	Covid19 – Update on Response and Recovery	As requested by the Committee – update on the Council's response to Covid 19	90	To provide independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
6	Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members between September 2020 and February 2021.	131	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
7	Risk Management Update	This report will update the Committee on Risk Management and Business Continuity activity in the Council.	97	To monitor the effective development and operation of risk management in the council.
8	Internal Audit Plan 2021/22	To receive the proposed Internal Audit Plan for 2021/22	106	To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
9	Highways; allocation and use of funding	Requested by Members; a report on the allocation and use of Highways funding	96	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council
10	Partnerships Governance	To consider assurance in relation to the governance arrangements in place to manage significant partnerships in which the Council participates.	102	To review the governance and assurance arrangements for significant partnerships or collaborations.
11	Upheld Complaints to the Local Government Ombudsmen (If required)	Members have requested that they receive a report where there is a complaint upheld by the Local Government Ombudsmen.	129	Subject to the requirements set out below, to consider all findings of the Local Government Ombudsman, including reports resulting in a finding of maladministration against the Council, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings. (a) There are statutory obligations which will, in some circumstances, require reports to be taken to Cabinet or full Council. (b) The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the Audit and Governance Committee's agenda.
12	Work Plan 2020/21 and 2021/22	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
13 & 14	Contract Procedure Rule Non-Adherences	Report to update Committee on the quantity and reasons for Non-Adherences	95	To consider the Council's arrangements to secure value for money and to review and scrutinise

Work Plan 2020/21

			Extract from Committee Terms of Reference	
	Agenda Item	Description	No	Detail
	(Part 1 and Part 2)	Adherences approved since the last Committee.		assurances and assessments on the effectiveness of these arrangements.

Work Plan 2020/21

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
Unscheduled Items			
Review of the Council's Standards Arrangements	<p>Members have requested a review of the Council's Standards arrangements to be undertaken.</p> <p><i>Scheduling of this report is reliant upon the publication of the model Standards Code and the appointment of a new Monitoring Officer.</i></p>	131	To promote high standards of ethical behaviour by developing, maintaining and monitoring Code of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

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Audit & Governance Committee

Date of Meeting: 11 November 2020

Report Title: Waivers and Non-Adherences (WARNs)

Senior Officer: Alex Thompson – Director of Finance and Customer Services -
S151 Officer

1. Report Summary

- 1.1. The purpose of this report is to provide an update to the Audit and Governance Committee on the number of cases where, and reasons why, procurement activity has required the use of waivers and/or non-adherences (WARNs). The report covers approved cases between the 1st September 2020 and the 30th September 2020.
- 1.2. The approved WARNs are published retrospectively for information to the next appropriate Audit and Governance Committee. The total number of WARNs to be presented to the November Audit and Governance Committee is 2 (consisting of 2 Waivers).
- 1.3. All WARNs will be presented to the Audit and Governance Committee without any information redacted. However, they will be presented in Part 2 of the Committee as they may contain commercially sensitive information and/or Officer Details.

2. Recommendation/s

That the Audit and Governance Committee:

- 2.1. Notes the number and reason for 2 further WARNs approved between 1st September 2020 and 30th September 2020 (22 in total to date in 2020/21).

3. Reasons for Recommendation/s

- 3.1. The Audit and Governance Committee has a key role in overseeing governance arrangements within the Council and has a requirement to retrospectively review all approved WARNs. The WARN process forms part of the Council's Contract Procedure Rules (CPRs), which are intended to promote good procurement and commissioning practice, transparency and clear public accountability.

4. Other Options Considered

- 4.1. N/A

5. Background

- 5.1. All WARNs approved in the period between Audit and Governance Committees will be presented to the next Committee meeting. This report contains all WARNs approved from the 1st September 2020 to the 30th September 2020 (2 in total).

The WARN process records the following;

- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with the Contract Procedure Rules, Part 5. Section 7.1-7.3.
- Non-Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with Part 5. Section 7.4-7.10.

Waivers are a compliant part of the Contract Procedure Rules and are used where there is a genuine business case to direct award without the need for competition.

Table 1: WARNs have increased during 2020 due to the coronavirus outbreak

WARNs	2016-2017	2017- 2018	2018-2019	2019 - 2020	Apr 2020- Sept 2020
Non-Adherence	33	10	5	1	2
Waiver	40	20	16	17	20
Grand Total	73	30	21	18	22

- 5.2 The number of WARNs have increased during 2020 due to the coronavirus outbreak. Currently 10 of the 22 WARNs completed were due to the outbreak and the Council needing to respond quickly to ensure the supply of goods and service, meaning there are 12 business as usual WARNs.

For the same period in 2019 (April – September 2019) the Council reported 10 WARNs, so if we remove the COVID WARNs the Council are 2 up from the previous year.

6. Implications of the Recommendations

6.1. Legal Implications

- 6.1.1. All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner.

6.1.2. Employees must also seek to ensure value for money and take care to avoid the risk of legal challenge to the Council in relation to the use of its financial resources. The Council's Officer Delegations, Finance and Contract Procedure Rules and Operating Procedures must, therefore, be followed at all times. This report sets out compliance with the Contract Procedure Rules.

6.1.3. Advice should be sought from Legal Services on the application of the Public Contracts Regulations 2015. Guidance has been issued to contract managers on the content of PPN 02/20 Supplier Relief and subsequent PPNs issued. Advice should be sought from Legal Services on the contractual terms and conditions of current contracts and how they may be varied to reflect any relief given to suppliers or on any transitional arrangements.

6.2. Finance Implications

6.2.1. The Council's Constitution Finance Procedure Rule 2.30; Chapter 3 - Part 4: Section 2 explains that the Corporate Leadership Team (CLT) are responsible for working within their respective budget limits and to utilise resources allocated to them in the most efficient, effective and economic way. This is supported by effective commissioning, procurement processes and appropriate contract management.

6.2.2. Along with comments from Procurement and Legal Officers, Finance Officers are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard. The comments of Finance Officers focus on whether the Service: has identified sufficient existing budget to cover the proposal; and has also considered how to achieve best value for money via the particular recommended course of action.

6.2.3. With regard to procurement activity relating to Covid-19, the Council is closely monitoring all additional expenditure in respect of responding to the pandemic and – as required for all local authorities – is reporting summary financial information to the Ministry of Housing, Communities & Local Government on a monthly basis, in terms of Covid-19-related spending and loss of income. On 19 March 2020 the Government announced £1.6bn of additional funding to support local authorities in responding to the Covid-19 pandemic; this funding is un-ringfenced and is intended to help local authorities address any pressures they are facing in response the Covid-19 pandemic, across all service areas. On 18 April and on 2 July 2020, the Government announced further allocations of £1.6bn and £0.5bn respectively, in additional funding for councils. In total, the Council's share of this funding is £22.4m.

6.2.4. For information, the Government has also announced a compensation scheme, whereby it will contribute towards a proportion of councils' losses in respect of sales, fees and charges income; and has also stated that any shortfalls in council tax and business rates income can be spread and accounted for over the next three years. It is currently estimated that the authority will receive in the order of £6.1m in compensation for losses in sales, fees and charges income during 2020/21. The Council will continue to monitor and report on the financial effects of Covid-19 and the sufficiency of additional funding support provided by the Government, as part of its financial planning and forecasting through the year.

6.3. Policy Implications

6.3.1. N/A

6.4. Equality Implications

6.4.1. N/A

6.5. Human Resources Implications

6.5.1. N/A

6.6. Risk Management Implications

6.6.1. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing financial and reputational risk to the Council. This includes procurement processes.

6.7. Rural Communities Implications

6.7.1. There are no direct implications for rural communities.

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

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

6.9. Public Health Implications

6.9.1. There are no direct implications for public health.

6.10. Climate Change Implications

6.10.1. There are no direct implications for public health.

7. Ward Members Affected

7.1. N/A

8. Consultation & Engagement

8.1. N/A

9. Access to Information

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

10. Contact Information

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

Name: Lianne Halliday

Job Title: Senior Manager - Procurement

Email: lianne.halliday@cheshireeast.gov.uk

Appendix 1

CPR WAIVERS – CATEGORIES FOR INTERNAL REPORTING

Category Ref	Ref Description
A	Genuine Emergency - which warrant an exception to the requirements of competition
B	Specialist Education or Social Care Requirements
C	Genuine Unique Provider - e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
F	No valid tender bids received; therefore, direct award can be substantiated
G	Lack of Planning
H	Any other valid general circumstances up to the EU threshold
I	No time to undertake a tendering exercise, therefore extension necessary to avoid non-provision of deliverables
J	Procurement from any other source would be uneconomic at this time
K	Added value being offered by the Provider(s)
L	Extension is best option as highlighted in request form
D	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
V	Covid-19 Exemption
E	In-depth Knowledge, skills and capability of project/services already in existence with consultants/providers carrying out related activity – therefore procuring new consultants/skills would be uneconomic given the investment in previous, related work.