

# Audit and Governance Committee

## Agenda

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**Date:** Thursday 11th March 2021  
**Time:** 2.00 pm  
**Venue:** Virtual Meeting

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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 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.

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OFFICIAL

For requests for further information

**Contact:** Rachel Graves

**Tel:** 01270 686473

**E-Mail:** [rachel.graves@cheshireeast.gov.uk](mailto: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 are not required to give notice to use this facility.

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 - 12)

To approve the minutes of the meeting held on 28 January 2021 as a correct record.

5. **Annual Audit Letter 2019/20** (Pages 13 - 30)

To consider the Annual Audit Letter 2019/20.

6. **Certification of Claims and Returns 2019/20** (Pages 31 - 34)

To consider the key findings that have been identified during the certification process for the 2019/20 Housing Benefit Subsidy claim and the Teachers' Pension End of Year Certificate.

7. **External Audit Update Report** (Pages 35 - 50)

To consider the update report on the work of the External Auditor.

8. **Annual Governance Statement 2019/20 - Progress Update** (Pages 51 - 72)

To consider the progress with the Annual Governance Statement 2019/20.

9. **Audit and Governance Committee Composition and Structure** (Pages 73 - 84)

To consider the recommendations of the Working Group.

10. **Covid-19 - Update on Response and Recovery** (Pages 85 - 108)

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

11. **Member Code of Conduct: Standards Report** (Pages 109 - 112)

To consider the report on the number and status of Member Code of Conduct complaints received in relation to Cheshire East Councillors and Town and Parish Councillors within our Borough.

12. **Strategic Risk Register - Q3 Update** (Pages 113 - 136)

To consider the Quarter 3 review of the Strategic Risk Register.

13. **Internal Audit Plan 2021/22** (Pages 137 - 158)

To consider and approve the Internal Audit Plan for 2021/22.

14. **Maladministration Decision Notices from Local Government and Social Care Ombudsman November 2020 - January 2021** (Pages 159 - 170)

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

15. **Committee Work Plan** (Pages 171 - 184)

To consider the Work Plan and determine any required amendments.

16. **Waivers and Non-Adherences** (Pages 185 - 190)

To consider and note the number and reason for the WARNs approved between 1 October 2020 and 31 January 2021.

17. **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**

**18. Waivers and Non-Adherences**

To note the approved WARNs issued between 1 October 2020 and 31 January 2021.

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

**CHESHIRE EAST COUNCIL**

Minutes of a virtual meeting of the **Audit and Governance Committee**  
held on Thursday, 28th January, 2021

**PRESENT**

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

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

**External Auditors**

Mr M Dalton, Mazars  
Mr J Roberts, Grant Thornton

**Councillors in attendance**

Councillors J Clowes, P Redstone, J Rhodes and A Stott

**Officers in attendance**

Lorraine O'Donnell, Chief Executive  
Jane Burns, Executive Director Corporate Services  
David Brown, Director of Governance and Compliance  
Alex Thompson, Director of Finance and Customer Services  
Josie Griffiths, Head of Audit and Risk  
Michael Todd, Acting Internal Audit Manager  
Helen Gerrard, Head of Customer Services  
Juan Turner, Compliance and Customer Relations Officer  
Rachel Graves, Democratic Services Officer

The Chair reported that Councillor Alift Harewood had replaced Councillor Steve Hogben on the committee. The Committee recorded their thanks to Councillor Hogben for his contributions to the work of the Audit and Governance Committee.

**60 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Philip Gardener.

**61 DECLARATIONS OF INTEREST**

In relation to Item 11 – Audit Review of Procurement Controls:

- i. Councillor Margaret Simon declared that, as she had been the Chairman of the Independent Disciplinary Committee, she did not think that it was appropriate for her to take part in any discussion on this Item.

- ii. In response to a question from Councillor Rachel Bailey, in advance of becoming Leader of Council she had been the Portfolio Holder for Children and Families until early 2016, the Director of Governance and Compliance and Monitoring Officer informed the Committee that many members would have knowledge and experience of the events. The Committee was obliged to give consideration of the report before them and the evidence contained within and therefore previous involvement was not relevant to today's decision and there was not requirement to make any declaration.

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

Sue Helliwell referred to a question she had asked at a previous meeting asking if the annual monitoring report would be more transparent to have them 6 monthly and if the report could include how many questions from the public had been declined at full Council and Cabinet and had also asked if political statements were allowed at meetings by members and how was a right of reply ensured and asked if her questions could be answered now that David Brown, had taken up his position as Director of Governance and Compliance (and Monitoring Officer).

In response the Director of Governance and Compliance stated that the content of the Monitoring Officer's Annual Report had been agreed by the Committee in March 2019 and therefore any amendments to what was included in the report would be a matter for the Committee to decide in consultation with the Monitoring Officer. Most of the information was already in the public domain and accessible by the public. In the case of questions being declined the constitution provides very limited circumstance for declining questions. The answering of questions is public in any event. The compilation of data and inclusion of additional information provides for an additional burden for officers and the Committee would need to be assured that officer time collating information primarily in the public domain was a reasonable and proportionate use of officer time. It should also be noted the Council was in transition to the committee system which will result in further changes and the introduction of a revised Constitution. The Constitution sets out the Procedure Rules and the rules for debate at committee meetings and it was a matter for the chairperson of the individual committee to ensure all Councillors who wished to take part in any debate could do so in accordance with these Rules.

## **63 MINUTES OF PREVIOUS MEETING**

### **RESOLVED:**

That the minutes of the meeting held on 11 November 2020 be confirmed as a correct record.

**64 AUDIT AND GOVERNANCE COMMITTEE STRUCTURE AND COMPOSITION**

The Director of Governance and Compliance reported on the meeting of the Working Group which had taken place on 18 January 2021.

The Working Group had received information on the areas of work identified in the report which was considered by Council in November 2020. After consideration it was agreed that a further meeting was required to consider the size of the committee, its membership and terms of reference.

**RESOLVED:**

That the verbal update be noted.

**65 INTERNAL AUDIT UPDATE - JANUARY 2021**

The Committee considered a report on the work undertaken by Internal Audit between April and December 2020 and the planned work for the remainder of the financial year which would contribute to the Annual Internal Audit Opinion for 2020/21.

The Committee had approved a revised Internal Audit Plan in September 2020 which took into account the reduced resources available due to staffing changes and the significant impact of the covid-19 pandemic.

As a result of the changes in working arrangements it would not be possible to undergo the normal processes for forming the annual internal audit opinion. CIFPA had issued guidance on how to form an opinion under the current circumstances and the report set out, at paragraph 5.7, the sources of assurances which would be used to inform the internal audit opinion for 2020/21.

The draft Internal Audit Plan for 2021/22 would be brought to the next meeting of the Committee.

The Committee sought assurance on the impact of internal audits being delayed. In response it was stated that this was being considered along with the impact of previously reported internal audit recommendations not being implemented due to the covid-19 pandemic. It was requested that a report be brought on the impact of the delays to internal audit reviews and implementation of recommendations.

**RESOLVED:** That

- 1 the changes in which the annual audit opinion will be developed for 2020/21, along with ongoing challenges brought by the Covid-19

pandemic and continued lockdown/tier restrictions and associated impact upon internal audit be noted;

- 2 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 grant be noted; and
- 3 a report be brought on the impact of the delays to internal audit reviews and implementation of audit recommendations.

**66 MALADMINISTRATION DECISION NOTICES FROM LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN - SEPTEMBER - OCTOBER 2020**

The Committee considered a report on the Decision Notices issued by the Local Government Ombudsman between 1 September and 31 October 2020.

It was reported that four decision notices had been issued which concluded that there had been maladministration causing injustice – details of which were set out in the Appendix to the report.

**RESOLVED:**

That the content of the report be noted.

**67 BUSINESS GRANTS END OF PHASE 1 GRANTS - UPDATE**

Consideration was given to a report which detailed the administration of Business Grants between February to October 2020.

The report set out details of the grants issued for three schemes announced in February 2020 which provided support to small business and businesses within the retail, leisure and hospitality sectors. Further scheme were announced which provided wider financial support to businesses affected by the response to Covid-19.

The Internal Audit team had provided support to the verification process, offering advice, guidance and resources. Of the 7,794 grants issued, only 39 were identified as potential fraud or error.

Clarification was sought on what happened to the un-allocated grant money and the Committee was informed that this would be returned to the Government as part of the reconciliation process.

Reference was made to the last announcement of Government grants and the understanding the Council had now received their allocation and it was asked when these grants would start to be issued to businesses, could this

be communicated to businesses and could elected members be kept informed.

**RESOLVED:**

That the content of the report be noted, including the lessons learnt and the actions taken to administer new Business Grants between March and October 2020.

**68 COVID-19 - UPDATE ON RESPONSE AND RECOVERY**

The Committee considered the December 2020 Cabinet report on the Covid-19 Update on Response and Recovery.

**RESOLVED:**

That the report be noted.

**69 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.

At the meeting the Committee had asked for reports on assurance on delays in internal audit work and reconciliation work on grants and these would be added to the Work Plan.

The Work Plan for 2021/22 would be brought to the next meeting.

**RESOLVED:**

That the Work Plan be approved with the additional two items and the Plan be brought back to the Committee throughout the year for further development and approval.

**70 AUDIT REVIEW OF PROCUREMENT CONTROLS**

*Having previously declared an interest, Councillor M Simon took not part in the consideration of this item.*

The Committee considered the findings of a recent Internal Audit review of procurement controls following the completion of a long-standing police investigation into the award of contracts at the Council.

Following the announcement that there was insufficient evidence to proceed to prosecution following the police investigation, the Chief Executive had requested a health check be undertaken by Internal Audit to seek assurance on current procurement arrangements by reviewing the

contract award process to identify weaknesses in the processes and procedures operated in 2015 and to provide assurance on the processes now in operation would prevent or identify non-compliance.

The Internal Audit report, at Appendix A to the report, set out their key findings in their investigation and gave a 'Satisfactory' opinion on the effectiveness of the arrangements now in place to manage the procurement and risks associated with it. Several recommendations were set out in an Action Plan to further improve the control environment.

The Internal Auditor's report would be used by the external auditors Grant Thornton as part of their considerations with the outstanding audit certificate for 2015/16. Following completion of this work and receipt of the findings, consideration would be given by the Council as to whether any further work was required.

It was asked if all the evidence considered by the Police had been returned to the Council and was confirmed that it had and was sealed but would be available to the Internal Auditors.

Assurance was sought on whether there had been a breach of the EU limits for contracts and it was confirmed that this had been checked and the EU limits had not been breached.

It was suggested that, as part of the Committee's ongoing assurance work, they exam the procurement procedure for a couple of contact awards to make sure they were impartial and provide confidence to the Committee that the procedures now in place were working. In response it was reported that Internal Audit had undertaken a review of contract awards to ensure the correct procedures were being followed and this had included some detailed testing of individual contract awards. The final audit report was going through the review stage at present so the final opinion could not yet be reported but no concerns had been raised and the audit would be reported in the Internal Audit Annual Report.

The Committee thanked the Chief Executive and the Acting Internal Audit Manager for the work undertaken and for bring the report to the Committee.

**RESOLVED:**

That the content of the report and the management actions agreed as a result of the work undertaken be noted.

The meeting commenced at 2.00 pm and concluded at 4.48 pm

Councillor R Fletcher (Chairman)



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## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Annual Audit Letter 2019/20

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

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### **1. Report Summary**

1.1. The Annual Audit Letter for 2019/20 is set out in the appendix to this report.

### **2. Recommendation/s**

2.1. That members note the Annual Audit Letter.

### **3. Reasons for Recommendation/s**

3.1. The appointed auditors are required to report to those charged with governance.

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

4.1. Not applicable

### **5. Background**

5.1. Mazars have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.

5.2. The report includes the Annual Audit Letter on the conclusion of the 2019/20 audit.

### **6. Implications of the Recommendations**

#### **6.1. Legal Implications**

- There are no legal implications identified.

**6.2. Finance Implications**

- The audit fees will be met from within the revenue budget.

**6.3. Policy Implications**

- There are no policy implications identified.

**6.4. Equality Implications**

- There are no equality implications identified.

**6.5. Human Resources Implications**

- There are no human resources implications identified.

**6.6. Risk Management Implications**

- Mazars complete a risk based audit whereby they focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

**6.7. Rural Communities Implications**

- There are no direct implications for rural communities.

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

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

**6.9. Public Health Implications**

- There are no direct implications for public health.

**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: Joanne Wilcox

Job Title: Head of Financial Management

Email: [Joanne.wilcox@cheshireeast.gov.uk](mailto:Joanne.wilcox@cheshireeast.gov.uk)

Appendix 1: Annual Audit Letter 2019/20

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# Annual Audit Letter

## Cheshire East Council

Year ending 31 March 2020





## Contents

- 01** Executive summary
- 02** Audit of the financial statements
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- 04** Other reporting responsibilities
- 05** Our fees
- 06** Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

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

# 1. EXECUTIVE SUMMARY

## Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Cheshire East Council (the Council) for the year ended 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 27 November 2020 included our opinion that the financial statements:</p> <ul style="list-style-type: none"> <li>• give a true and fair view of the Council's financial position as at 31 March 2020 and of its expenditure and income for the year then ended; and</li> <li>• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20</li> </ul>
Other information published alongside the audited financial statements	<p>Our auditor's report included our opinion that:</p> <ul style="list-style-type: none"> <li>• the other information in the Statement of Accounts is consistent with the audited financial statements.</li> </ul>
Value for money conclusion	<p>Our auditor's report concluded that we are satisfied that in all significant respects, the 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.</p>
Reporting to the group auditor	<p>In line with group audit instructions, issued by the NAO on 4<sup>th</sup> November, we reported to the group auditor in line with the requirements applicable to the Council's WGA return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p> <p>The report also confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

**Unqualified**

### The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, stated that in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2020 and of its financial performance for the year then ended. Our report included an emphasis of matters paragraph. This drew attention to the financial statement disclosure explaining that COVID-19 had contributed to 'material valuation uncertainty' in the valuation of the Council's land and buildings and the Council's share of Cheshire Pension Fund's property assets included in the net Pension Liability.

### Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit & Governance Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2020:

		Council	Group
Financial statement materiality	Based on 1.5% of the gross expenditure at the Surplus/Deficit on Provision of Services level	£13,800,000	£14,000,000
Trivial threshold	Based on 3% of financial statement materiality	£414,000	£420,000
Specific materiality	- Officer Remuneration bandings	£5,000	n/a
	- Related Party Transactions	£50,000	n/a



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit & Governance Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p><b>Management override of controls</b></p> <p>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</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> <li>Accounting estimates impacting on amounts included in the financial statements;</li> <li>Consideration of identified significant transactions outside the normal course of business; and</li> <li>Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.</li> </ul>	<p>There were no significant matters arising from our work on the management override of controls</p>
<p><b>Property, plant and equipment valuation</b></p> <p>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.</p> <p>The valuation of Property, Plant &amp; 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.</p> <p>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.</p>	<p>We assessed the 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.</p> <p>We reviewed the Council's approach to ensuring that assets not subject to valuation in 2019/20 are materially misstated and we considered the approach in light of the valuation information reported by the 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.</p> <p>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.</p>	<p>We concluded that the valuation of the Council's Property, Plant &amp; Equipment was materially fairly stated.</p> <p>However, the Council disclosed in Note 37 that the valuation of the property assets were subject to 'material valuation uncertainty' as a result of COVID-19, and we included an 'emphasis of matter' in our auditor's report. A 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon, but that, less certainty can be attached to the valuation.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p><b>Valuation of Defined Benefit Pension Liability</b></p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>	<p>Our work on the valuation of the LGPS Pension Liability has not identified any significant issues and we have obtained assurance that the valuations are not materially misstated. Our other work on the Pension disclosures identified some non-material disclosure adjustments. The Council amended the financial statements for all the adjustments.</p> <p>However, the Council disclosed in Note 37 that the valuation of the property assets held by Cheshire Pension Fund were subject to 'material valuation uncertainty' as a result of COVID-19, and we included an 'emphasis of matter' in our auditor's report.</p>



## 2. AUDIT OF THE FINANCIAL STATEMENTS

### Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

The matters we report 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.

We identified one internal control deficiency. This was not significant in nature and related to management review of IT access. Management has agreed to strengthen arrangements to address the control recommendation during 2020/21. We are content with management's response.



### 3. VALUE FOR MONEY CONCLUSION

Value for money conclusion	Unqualified
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#### Our approach to the value for money conclusion

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

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

#### Overall Conclusion

Our auditor's report, stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2020.



### 3. VALUE FOR MONEY CONCLUSION

#### Significant audit risks (continued)

Risk	Work undertaken	Conclusion
<p><b>Financial Sustainability</b></p> <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><b>Work undertaken</b></p> <p>We reviewed the arrangements the Council had in place throughout 2019/20 for ensuring financial resilience.</p> <p>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>Based on the work carried out we established that:</p> <ul style="list-style-type: none"> <li>• The Council has a robust budget setting process in place for 2019/20 and 2020/21.</li> <li>• The monitoring through the year is timely and detailed and enables the Council to manage its financial position through the year accurately.</li> <li>• There are overspends in some areas in 2019/20, but overall the Council has maintained good control of its budgets.</li> <li>• Overall the budget overspend is not significant, and the use of earmarked reserves in 2019/20 is not significantly more than budgeted.</li> <li>• The level of overall earmarked reserves provides some flexibility for the Council to deliver financial sustainability in the medium term.</li> </ul>	<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>



## 4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Consistent
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

### Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power 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 statutory reporting powers.

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 did not receive any such objections or questions.

### Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. We completed this work and submitted this information to the NAO on 15 February 2021.

### Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.



## 5. OUR FEES

### Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit & Governance Committee in December 2019.

Having completed our work for the 2019/20 financial year, we can confirm that our final fees are as follows:

Area of work	2019/20 proposed fee	2019/20 final fee
Delivery of audit work under the NAO Code of Audit Practice	119,034	119,034
<b>Fee variations*:</b>		
<b>Recurrent scope changes</b> due to increased regulatory expectations:		
• Additional testing on Property, Plant & Equipment		4,954
• Additional testing on Defined Benefit Pensions Schemes		2,998
<b>In year scope changes</b> due to Covid-19 and pension legal cases including, but not limited to:		
• impact of 'Material Valuation Uncertainty' on the Council's land and buildings and its share of Pension Fund property assets;		
• updating audit risk assessments, including the value for money conclusion;		
• additional considerations of estimation uncertainty in going concern;		
• changes impacting pension liabilities through the McCloud and Goodwin legal cases.		5,032
<b>Other matters:</b>		
• additional PPE work (including extensive liaison with the Council's new valuer - to secure the required audit evidence)		3,246
<b>Total audit fee</b>	<b>119,034</b>	<b>135,264</b>

\*Fee variations subject to confirmation from PSAA

### Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.



## 6. FORWARD LOOK

### Changes to the Code of Audit Practice

The Code of Audit Practice (the Audit Code), issued by the Comptroller and Auditor General, prescribes the way we carry out our responsibilities as your auditors. On 1<sup>st</sup> April 2020 a new Code came in to force and will apply to our work from 2020/21 onwards.

The new Audit Code continues to apply the requirements of International Standards on Auditing (ISAs) to our audit of the financial statements. While there are changes to the ISAs that are effective from 2020/21 the Audit Code has not introduced any changes to the scope of our audit of the financial statements. We will continue to give our opinion on the financial statements in our independent auditor's report.

There are however significant changes to the work on value for money arrangements, and the way we report the outcomes of our work to you.

### The auditor's work on value for money arrangements

From 2020/21 we are still required to satisfy ourselves that you have made proper arrangements for securing the economy, efficiency and effectiveness in your use of resources, however unlike under the 2015 Audit Code, we will no longer report in the form of a conclusion on arrangements. Instead, where our work identifies significant weaknesses in arrangements, we are required to report those weaknesses to you, along with the actions that need to be taken to address those weaknesses.

Our work on value for money arrangements will focus on three criteria, specified in the revised Audit Code:

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

Under the new Audit Code we will be expected to report and make recommendations as soon as we identify a significant weakness in arrangements, as opposed to reporting our conclusion on arrangements at the end of the audit cycle as has previously been the case.

### Reporting the results of the auditor's work

We currently issue you with an Annual Audit Letter which provides a summary of our work across all aspects of our audit. From 2020/21 the Annual Audit Letter will be replaced by the Auditor's Annual Report. This will continue to provide a summary of our work over the year of audit but will also include a detailed commentary on your arrangements in place to achieve economy, efficiency and effectiveness. This commentary replaces the conclusion on arrangements that was previously provided and will include details of any significant weakness identified and reported to you, follow up of any previous recommendations made, and the our view as to whether recommendations have been implemented satisfactorily.

The new Audit Code will result in additional officer time and auditor time and therefore audit fees.



## 6. FORWARD LOOK: AUDIT CHANGES 2020/21

### Redmond Review

In September 2020, Sir Tony Redmond published the findings of his independent review into the oversight of local audit and the transparency of local authority financial reporting. The report makes several recommendations that, if implemented, could affect both the financial statements that local authorities are required to prepare and the work that we as auditors are required to do.

The report and recommendations are wide-ranging, and includes:

- the creation of the Office of Local Audit and Regulation (OLAR), to manage, oversee and regulate local audit;
- reviewing reporting deadlines;
- reviewing governance arrangements in local authorities, including the membership of the Standards and Audit Committee; and
- increasing transparency and reducing the complexity of local authority financial statements.

The full report is available here: <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>

The recommendations and findings have been considered by the Ministry of Housing, Communities and Local Government and their response was published in December 2020. The response accepted some recommendations but did not accept others.

We look forward to working with all stakeholders to implement changes to ensure the development and sustainability of local audit.



## CONTACT

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## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Certification of Claims and Returns 2019/20

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

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### **1. Report Summary**

- 1.1. The report provides a summary of the key findings that have been identified during the External Auditors certification process for the 2019/20 Housing Benefit Subsidy claim and the Teachers' Pension End of Year Certificate.

### **2. Recommendation/s**

- 2.1. That members note the findings of the external audits regarding these certification processes.
  - As a result of the testing of 2019/20 Housing Benefit Subsidy claim no errors or exemptions were found and no recommendations for improvements were made to the DWP.
  - Following the audit of the Teachers' Pension Certificate a small number of minor errors were corrected.

### **3. Reasons for Recommendation/s**

- 3.1. To ensure that members consider the findings of the certification process.

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

- 4.1. Not applicable

### **5. Background**

- 5.1. KPMG were appointed as external auditors following a joint procurement with the Greater Manchester Councils to complete the Housing Benefit (Subsidy) Assurance Process and to certify the Teachers' Pension annual statement of contributions. The contract commenced on 1 April 2019. This is in

addition to the main audit of the Council's financial statements which is undertaken by Mazars LLP.

- 5.2. The audit of the Housing Benefits Subsidy Claim was completed in accordance with HBAP Modules 1 and 6 2019/20 issued by the Department of Work and Pensions (DWP).
- 5.3. Following the completion of the Housing Benefit Subsidy Claim the auditors reported that no errors or exceptions were found as a result of their testing. In addition no recommendations for improvements to the Council's claims completion process were made to the DWP.
- 5.4. The certification of the Teachers' Pension End of Year Certificate was carried out in accordance with the Teachers' Pension Scheme Regulations 2014.
- 5.5. A small number of minor errors or exceptions were reported to and corrected by management.

## **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. The audit fees will be met from within the revenue budget.

### **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 resources implications identified.

### **6.6. Risk Management Implications**

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

**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**

7.2. Not applicable.

**8. Access to Information**

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

**9. Contact Information**

9.2. 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](mailto:Joanne.wilcox@cheshireeast.gov.uk)

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## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** External Audit Update Report

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

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### **1. Report Summary**

- 1.1. The progress and update report from Mazars is provided as an Appendix to this report.

### **2. Recommendation/s**

That Members of the Audit & Governance Committee:

- 2.1. Note the update provided by the Council's external auditors.

### **3. Reasons for Recommendation/s**

- 3.1. The Audit Plan sets out the work that the Council's Auditors, Mazars will be carrying out in their statutory audit on the Council's financial statements and arrangements for securing value for money.

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

- 4.1. None.

### **5. Background**

- 5.1. Mazars have been appointed as the Council's independent external auditors. Their annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work.
- 5.2. The report provides members of the Committee with an update on progress of the external audit; it also includes details of national publications relevant to the Council.

## **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. The audit fees will be met from within the revenue budget.

### **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 resources implications identified.

### **6.6. Risk Management Implications**

6.6.1. Mazars will complete a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts.

### **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**

7.2. Not applicable.

**8. Access to Information**

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

**9. Contact Information**

9.2. 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](mailto:Joanne.wilcox@cheshireeast.gov.uk)

Appendix A – External Audit Progress Report March 2021

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# Audit Progress Report

Cheshire East Council

March 2021



1. Audit Progress
2. National Publications

# 01

Section 01:  
**Audit Progress**

# Audit Progress

## **Purpose of this report**

This report provides the Audit & Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

## **Audit progress**

We completed our external audit of the Council's 2019/20 financial statements and value for money conclusion in November 2020, signing the audit report on 27 November. Audit & Governance Committee members were sent an updated Audit Completion Report with the completed audit findings

Following the completion of the work on the financial statements we undertook the audit work on the Council's Whole of Government Accounts (WGA) submission. This work is carried out to instructions issued by the National Audit Office and we reported to the NAO our conclusions from this work. We completed this work during January and February and submitted our report to the NAO on 18 February 2021. Following this, we issued our Annual Audit Letter, completing the audit reporting for 2019/20. The Annual Audit Letter will be presented to the March 2021 Audit & Governance Committee meeting.

We have now commenced our audit planning for the 2020/21 audit and will present our Audit Strategy Memorandum to a subsequent Audit & Governance Committee meeting. We have held regular discussions with the Council's Director of Finance and Customer Services and finance colleagues to keep up to date with known and emerging issues that impact on our external audit.

## **External audit work on the Council's arrangements to deliver value for money in its use of resources**

We reported during 2019/20 that the National Audit Office had updated their Code of Audit Practice and that this new Code applies from 2020/21. The new Code changes the work that auditors will be required to do, and the related reporting, on Councils arrangements to deliver value for money in their use of resources.

# Audit Progress

## External audit work on the Council's arrangements to deliver value for money in its use of resources (continued)

The changes to the reporting requirements means that from 2020/21 we will no longer include a value for money conclusion in our Financial Statements Audit Report. We will report our commentary on the Council's arrangements to deliver value for money in a new Auditor's Annual Report (which replaces the Annual Audit Letter). The NAO Code requires that where auditors identify weaknesses in Council's arrangements they should report recommendations to the Council promptly through the year.

In carrying out our work we will comply with the NAO's guidance on value for money work, which identifies that the work must have regard to the following specific criteria:

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

Delivering the new Code of Audit Practice requirements will result in additional officer time and auditor time and therefore audit fees. We will keep Audit & Governance Committee up to date on our progress as we complete our audit work.

# 02

## Section 02: **National Publications**

# National Publications

	Publication/update	Key points	Page
<b>CIPFA</b>			
1	<b>Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts</b>	2020/21 Disclosure checklist	8
2	<b>Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts</b>	2020/21 Code Guidance Notes	8
3	<b>Service Reporting Code of Practice for Local Authorities 2021/22</b>	2021/22 SeRCOP Guidance	8
4	<b>Guidance for Head of Internal Audit Annual Opinions 2020/21</b>	Guidance	9
5	<b>A Guide to Local Authority and Public Sector Asset Management</b>	Step-by-step guide	9
6	<b>Planning to Deliver Good Value in Demand-led Services (social care)</b>	Good practice framework	9
<b>National Audit Office</b>			
7	<b>Local auditor reporting application</b>	Data on local auditor reporting presented through an interactive map	10
8	<b>Good practice in annual reporting</b>	Interactive NAO guidance	10
<b>MHCLG</b>			
9	<b>Local authority financial reporting and external audit: government response to the Redmond review</b>	MHCLG's response to Sir Tony Redmond's independent review	11

# NATIONAL PUBLICATIONS

## CIPFA

### 1. Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2020/21 Accounts, January 2021

The 2020/21 version of the disclosure checklist has been updated to reflect the reporting requirements introduced by the 2020/21 Code of Practice. This annual publication is for finance practitioners in local authorities and external audit agencies and firms in England, Scotland and Wales.

The checklist is in the form of a series of questions. If the answer to any question is no, then a justification for departing from the Code should be given and potentially disclosed in the accounts, where the impact of departures is material.

<https://www.cipfa.org/policy-and-guidance/publications/d/disclosure-checklist-202021-print>

### 2. Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for 2020/21 Accounts, January 2021

This edition of the Guidance Notes provides detailed guidance on the key accounting changes introduced by the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) 2020/21, and includes amendments to implement amendments to accounting standards, reference to arrangements for the application of accounting standards arising as a consequence of the UK's withdrawal from the EU and legislative amendments. The example financial statements have also been updated to reflect these changes.

<https://www.cipfa.org/policy-and-guidance/publications/c/code-of-practice-guidance-notes-202021-print>

### 3. Service Reporting Code of Practice for Local Authorities 2021/22, January 2021

Modern local government is constantly developing and adapting to its current economic climate. Transparency initiatives, performance and best value regimes are evolving in expectation of the government becoming more sophisticated.

SeRCOP is reviewed annually to ensure that it develops in line with the needs of local government, transparency, best value and public services reform.

In England, SeRCOP is given legislative backing under the Local Government Act 2003. In Scotland SeRCOP's Service Expenditure Analysis (SEA) and guidance is used by the Scottish Government as the basis for specifying the requirements of the Local Financial Returns (LFRs).

<https://www.cipfa.org/policy-and-guidance/publications/s/service-reporting-code-of-practice-for-local-authorities-202122>

# NATIONAL PUBLICATIONS

## CIPFA

### **4. Guidance for Head of Internal Audit Annual Opinions 2020/21, November 2020**

The annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS). It is an important source of assurance that supports a local government body's annual governance statement.

If sufficient assurance is not available from internal audit work completed and other sources of assurance that the head of internal audit may seek to place reliance on then they should publish a limitation of scope to explain the position and impact on the annual opinion. The guidance sets out the steps heads of internal audit, together with the leadership team and audit committee, should take.

To further support the guidance CIPFA held a free webinar on 15 December.

<https://www.cipfa.org/policy-and-guidance/standards/guidance-for-head-of-internal-audit-annual-opinions-202021>

### **5. A Guide to Local Authority and Public Sector Asset Management, November 2020**

This step by step guide to asset management in the public sector has been produced by CIPFA Property. It takes the reader on the asset management journey, from the development of strategic asset management policies and strategies designed to deliver corporate objectives through to the development, implementation, challenge and review of asset management practices and portfolios.

<https://www.cipfa.org/policy-and-guidance/publications/a/asset-management-in-the-public-sector-a-practitioners-guide>

### **6. Planning to Deliver Good Value in Demand-led Services (social care), November 2020**

Several local authorities successfully deliver good value in these areas, and this publication draws on their experience and best practice. It sets out a three step framework, based on a number of essential elements that recognise the challenges involved. This framework emphasises the importance of business partnering and ensuring plans reflect reality to enable improved operational and financial resilience.

<https://www.cipfa.org/policy-and-guidance/publications/p/planning-to-deliver-good-value-in-demand-led-services-social-care>

# NATIONAL PUBLICATIONS

## National Audit Office

### 7. Local auditor reporting application, December 2020

The local auditor reporting application presents the opinions of local auditors on local public bodies' financial statements and conclusions on whether they have proper arrangements in place to secure value for money. The data is presented through an interactive map which allows users to explore auditor reporting for nine different types of local body and two different audit years. The interactive map also contains pop-ups to enable users to access further information about the body, such as the local auditor's report or annual audit letter.

<https://www.nao.org.uk/other/local-auditor-reporting-application/>

### 8. Good practice in annual reporting, February 2021

The interactive guide sets out NAO's good practice principles for good annual reporting and provides illustrative examples taken from public sector organisations who are leading the way in this area. The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance

It also provides further examples where bodies have made their context more understandable to the reader through use of graphics and clear language and signposting.

<https://www.nao.org.uk/report/good-practice-in-annual-reports-february-2021/>

# NATIONAL PUBLICATIONS

## MHCLG

### 9. MHCLG's response to Sir Tony Redmond's independent review, December 2020

The response of the Ministry of Housing, Communities and Local Government to Sir Tony Redmond's Independent review into the oversight of local audit and the transparency of local authority financial reporting. The Redmond Review made 23 recommendations relating to the quality, timeliness and sustainability of local audit, and the transparency of local authority accounts. The department has grouped its response into 5 themes, which are summarised in Annex A to the response.

Amongst the responses MHCLG confirmed that they intend to amend existing regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period they will review whether there is a continued need to have an extended deadline.

They also confirmed that they did not intend to create an Office of Local Audit and Regulation (OLAR) stating in their response that they "do not wish to re-create the costly, bureaucratic and over-centralised Audit Commission". They added that they "will commit to explore the full range of options as to how best to deliver Sir Tony's finding that a 'system leader' is required. This will include close consideration of whether existing bodies could take on this function."

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review/local-authority-financial-reporting-and-external-audit-government-response-to-the-independent-review>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services\*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

\*where permitted under applicable country laws.

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## **Audit and Governance Committee**

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**Date of Meeting:** 11th March 2021

**Report Title:** Annual Governance Statement 2019/20 – Progress Update

**Senior Officer:** David Brown, Director of Governance and Compliance Services

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### **1. Report Summary**

- 1.1. The purpose of this report is to provide assurance that the Annual Governance Statement (AGS) is underpinned by an appropriate framework of assurance and to allow the Committee to monitor the implementation of actions identified in the 2019/20 Statement in order to improve governance arrangements and to respond to emerging issues.
- 1.2. The report also informs the Committee of the proposed production process for the 2020/21 Annual Governance Statement.

### **2. Recommendations**

- 2.1. That the Committee;
  - 2.1.1. Note and endorse the updates provided on the issues reported in the 2019/20 AGS, including the recommendations to the Committee on whether items remain in the Statement.
  - 2.1.2. Consider and endorse the process for the production of the 2020/21 AGS.

### **3. Reasons for Recommendations**

- 3.1. Under the Accounts and Audit Regulations 2015, local authorities are required to prepare an Annual Governance Statement and to report publicly on the effectiveness of governance and control. The Audit and Governance Committee is responsible for reviewing and then approving the AGS prior to being signed by the Leader of the Council and the Chief Executive.

- 3.2. The process of preparing the governance statement should in itself add value to the effectiveness of the Council's corporate governance and internal control framework. Good governance enables the Council to better meet the challenges of pursuing its vision, delivering ambitious objectives against a background of continued financial pressures, by underpinning that vision with mechanisms for control and management of risk.
- 3.3. In accordance with best practice the Audit and Governance Committee should undertake a number of activities to discharge its responsibilities in relation to the AGS including:
  - 3.3.1. ensuring that the AGS is underpinned by a framework of assurance
  - 3.3.2. monitoring the implementation of action plans or recommendations to improve governance arrangements
  - 3.3.3. receiving reports and assurances over changes to the governance framework and control environment as they are established

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

- 4.1. Not applicable.

#### **5. Background**

##### **Progress against items reported in the AGS**

- 5.1. The 2019/20 AGS approved by the Audit and Governance Committee in November 2020 included updated details of previously reported governance issues, as well as a number of significant governance issues recognised for 2019/20 and relevant proposed actions for implementation.
- 5.2. A detailed update on progress since November in implementing the actions proposed is included at Appendix A for consideration by Members.
- 5.3. Each update has been provided by the relevant responsible officer. In providing these, they have considered whether the required action has been completed appropriately, whether the issues are being sufficiently and effectively managed and whether there are further issues or concerns arising.
- 5.4. These recommendations, with endorsement from Corporate Leadership Team, are summarised in Table 1, with a recommendation to the Committee on which items should be considered as completed or managed, and can now be monitored via local monitoring arrangements or those that require further monitoring via the Annual Governance Statement.

- 5.5. Where items are removed from the Annual Governance Statement and progress updates reported to the Audit and Governance Committee, they will still continue to be monitored through normal management processes, and in some cases via reports to other Committees. These items can and will be re-escalated if necessary through the ongoing AGS production and monitoring cycle.

**Table 1: Summary of recommendations**

<b>AGS Item</b>	<b>Responsibility</b>	<b>Recommendation to the Committee</b>
Council Funding	Executive Director of Corporate Services	To note progress, but for the item to remain on the AGS progress update.
Health and Social Care Integration	Interim Executive Director of People	To note progress, but for the item to remain on the AGS progress update.
Proposed change to the Committee system of Governance	Chief Executive	To note progress, but for the item to remain on the AGS progress update.
Replacement of the Council's Core Financial Systems	Executive Director of Place and Deputy Chief Executive.	To note progress, but for the item to remain on the AGS progress update.
Responding to the impact of Covid-19	Chief Executive	To note progress, but for the item to remain on the AGS progress update.

***Preparation of the 2020/21 Annual Governance Statement***

- 5.6. The Council is required to undertake regular, at least annual, reviews of the effectiveness of its governance framework to provide assurance that governance arrangements are adequate and operating effectively in practice, or, that where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

- 5.7. The findings of this review should be considered at a meeting of the Authority or by a delegated Committee. The AGS should be approved at a meeting of the Authority or delegated Committee and then published.
- 5.8. The Audit and Governance Committee has, through its terms of reference, been delegated specific governance responsibilities. These include considering the findings from reviewing the effectiveness of the Council's governance arrangements and approving the AGS.
- 5.9. Responsibility for the approval of the Annual Governance Statement will remain with the Audit and Governance Committee once the Council moves to the committee system of governance.
- 5.10. It is considered good practice to agree the process for preparing the AGS, including the framework of assurance that underpins it, with Members in advance.
- 5.11. The 2020/21 AGS will be prepared in line with the requirements of the CIPFA/SOLACE guidance; the *Delivering Good Governance in Local Government* framework and against the Council's Code of Corporate Governance.
- 5.12. The review of the effectiveness of the Council's governance framework for 2020/21 will be informed by the work of Internal Audit, senior managers and comments made by the External Auditors and other review agencies/inspectors. The sources of assurance include, but are not limited to:
  - 5.12.1. Senior management assigned with the ownership of risks and delivery of services through the risk management process;
  - 5.12.2. The Section 151 Officer and the Monitoring Officer in meeting statutory responsibilities;
  - 5.12.3. Internal Audit through the annual and interim reports;
  - 5.12.4. External Audit through its reports to those charged with governance;
  - 5.12.5. Outcomes from other review agencies and inspectors;
  - 5.12.6. Service managers who independently sign off on the adequacy of controls within their service areas via disclosure statements;
  - 5.12.7. Other internal assurance providers (ICT Security etc.) via completion of questionnaires;

- 5.12.8. Designated officers who complete AGS self-assessment questionnaires; in this way compliance with the Council's Code of Corporate Governance will be evidenced.
- 5.13. The drafting of the AGS will be considered by the Corporate Leadership Team on an ongoing basis with the draft being informed by the following activities;
- 5.13.1. review and update of the Code of Corporate Governance and governance framework as necessary
  - 5.13.2. identifying the systems, processes and documentation that provide evidence of compliance
  - 5.13.3. content and format of Management Disclosure Statements, self-assessments and questionnaires
  - 5.13.4. identifying the individuals responsible for monitoring, reviewing and providing assurance on the systems, processes and documentation identified
  - 5.13.5. considering the extent to which the Council complies with the principles and elements of good governance set out in the CIPFA/SOLACE Framework using:
    - Self-assessment of the Organisation's performance against its Code of Corporate Governance
    - Completion of Disclosure Statements/Internal Assurance Provider questionnaires
    - Assessment of significant delivery partner governance arrangements
    - Self-assessment of Internal Audit against the Public Sector Internal Audit Standards
    - Assessment of the effectiveness of the Audit and Governance Committee
    - Consideration of sources of external assurance as applicable (External Audit, Ofsted, Care Quality Commission etc.)
    - Assessment of the effectiveness of mitigating actions for approved corporate risks
    - Consideration of the Annual Internal Audit Opinion Report
  - 5.13.6. identifying issues that have not been addressed in the Council and consider how they should be addressed, including items reported in previous Annual Governance Statements

- 5.13.7. identifying the individuals who would be responsible for undertaking the actions that are required
- 5.13.8. producing the draft AGS and co-ordinate its approval including review by the Corporate Leadership Team, signing by the Leader and Chief Executive and consideration by the Audit and Governance Committee.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. The Council must adopt a Code of Corporate Governance which has been produced to the standards prescribed in the best practice guidance in order to prepare the Annual Governance Statement (AGS). The best practice guidance is recognised as the CIPFA Framework Delivering Good Governance in Local Government (2016).
- 6.1.2. The Council's Code of Corporate Governance was first approved by the Governance and Constitution Committee in November 2009 and has been reviewed and updated to reflect best practice and organisational changes over time. The Council's Codes have been consistent with the principles of the various CIPFA/SOLACE frameworks. Cabinet approved a revised Code of Corporate Governance in January 2017, which was in line with the revised guidance set out by CIPFA issued in 2016; *Delivering Good Governance in Local Government*.
- 6.1.3. The AGS is used by the Council to report publicly on the extent to which the Council has complied with its adopted Code, which is a requirement of the Accounts and Audit Regulations 2015. The process outlined is designed to meet this obligation.

### **6.2. Finance Implications**

- 6.2.1. In reviewing assurance arrangements, the Committee should bear in mind that the assurance process has a cost to the Authority and it should therefore be proportional to the risk.
- 6.2.2. The production of the AGS is designed to align with the production of the Council's Financial Statements. In recognition of the changes to timescales proposed by Government because of Covid-19, this would mean the Committee should consider a draft in July 2021 and a final AGS in September 2021.

6.2.3. There are no adjustments required to the Medium-Term Financial Strategy as a result of this report.

### **6.3. Policy Implications**

6.3.1. There are no specific policy implications.

### **6.4. Equality Implications**

6.4.1. There are no specific equality implications.

### **6.5. Human Resources Implications**

6.5.1. There are no specific human resources implications.

### **6.6. Risk Management Implications**

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

### **6.7. Rural Communities Implications**

6.7.1. There are no direct implications for rural communities.

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

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

### **6.9. Public Health Implications**

6.9.1. There are no direct implications for public health.

### **6.10. Climate Change Implications**

6.10.1. There are no climate change implications.

## **7. Ward Members Affected**

7.1.1. Not applicable

## **8. Access to Information**

8.1.1. Audit and Governance Committee 11<sup>th</sup> November 2020 - Cheshire East Council Annual Governance Statement 2019/20

8.1.2. Audit and Governance Committee 29<sup>th</sup> July 2020 – Draft Annual Governance Statement 2019/20

- 8.1.3. Audit and Governance Committee 5<sup>th</sup> December 2019 – Annual Governance Statement 2018/19 – Progress Update

**9. Contact Information**

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

Name: Josie Griffiths

Job Title: Head of Audit and Risk

Email: [josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

# Annual Governance Statement 2019/20 Progress Update – March 2021

## Appendix A

## Progress against issues recognised in the Annual Governance Statement 2019/20

Council Funding	
<b>Description of Issue</b>	<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>
<b>Responsibility</b>	Executive Director of Corporate Services
<b>Action proposed at the time of inclusion in the AGS</b>	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</p> <p>Senior accountants are fully engaging with government and professional bodies (such as CIPFA, SCT, RSN and UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligning Public Services model.</p>

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Council Funding</b>	<p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework.</p>
<b>Progress update for AGS 2019/20</b>	<p>The 2019/20 Outturn was reported to Cabinet in June 2020, via the Corporate Overview &amp; 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 an when appropriate information is available.</p>
<b>Progress update – March 2021</b>	<p>Considerable engagement consultation and analysis has been carried out in the development of the Corporate Plan and Medium Term Financial Strategy, following the Budget Setting Process endorsed by Cabinet and the Corporate Leadership Team in May 2020.</p>

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Council Funding</b>	
	<p>Council received and approved the Corporate Plan and MTFS 2021-2025 in February 2021, following consideration of both at Cabinet on 2<sup>nd</sup> February 2021 and at the Council's Overview and Scrutiny Committees prior to this. This includes the Budget for the period 2021/22 to 2024/25.</p> <p>The ongoing impact of COVID-19, and any associated changes in funding will be managed through General Reserves with these changes be adopted through the Financial Procedure Rules and notified to Members at the earliest opportunity.</p>
<b>Recommendation</b>	<p>To note progress, but for the item to remain on the AGS progress update.</p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Health and Social Care Integration</b>	
<b>Description of Issue</b>	<p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the two acute providers and one Community and Mental Health provider in the Borough.</p> <p><i>Please note a restructure has created a single CCG for Cheshire as of 1<sup>st</sup> 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 work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>
<b>Responsibility</b>	<b>Director of Adult Social Services</b>
<b>Action proposed at the time of inclusion in the AGS</b>	<p>The BCF Governance Group, overseen by Cheshire East’s Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East’s plans for BCF in 2016/17. The expected status is “approved with support”.</p> <p>At the time of submission, there were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> <li>• Final agreement for expenditure plans;</li> <li>• Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group; and</li> <li>• Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&amp;E Delivery Boards).</li> </ul>

## Progress against issues recognised in the Annual Governance Statement 2019/20

Health and Social Care Integration	
	<p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key “medium” ranked recommendations:</p> <ul style="list-style-type: none"> <li>• Failure to identify and effectively manage BCF risks;</li> <li>• CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated; and</li> <li>• Poor Information Governance.</li> </ul> <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>
<b>Progress Update for AGS 2019/20</b>	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

## Progress against issues recognised in the Annual Governance Statement 2019/20

### Health and Social Care Integration

and endorsed by the Health and Wellbeing Board in September 2020. The 2020-21 Plan is now being delivered.

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 workstreams:

- 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 geography to ensure that service delivery at that local level is effectively joined up.

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.

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Health and Social Care Integration</b>	
	<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>
<b>Progress update – March 2021</b>	<p>The Department of Health and Social Care have published their White Paper ‘Integration and Innovation: working together to improve health and social care for all’ (February 2021). This sets out the legislative changes that are to be taken through Parliament to enable the formal establishment of statutory Integrated Care Systems (ICS). Other significant associated proposals will change the way health services are commissioned and procured, (including Public Health services commissioned by local authorities). The Local Authority will have a statutory duty to collaborate with the NHS and to be a partner on the Integrated Care System Partnership Board. The legislation will be taken through Parliament over the next year.</p> <p>Progress with the Cheshire East Place Health and Care Partnership work has been hampered by the COVID-19 outbreak with resources having to be redirected to COVID-19 response work. However the Integrated Care Partnership has moved forward with its Strategy and Transformation Plan being published, and Care Communities have continued to review community service delivery at the front line. Council officers continue to be involved all aspects of the work, from a Cheshire and Merseyside ICS level down to the Care Communities.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Proposed Change to the Committee system of Governance</b>	
<b>Description of Issue</b>	<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>
<b>Responsibility</b>	Chief Executive
<b>Action proposed at the time of inclusion in the AGS</b>	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.
<b>Progress Update for AGS 2019/20</b>	<p>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 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 19<sup>th</sup> March 2020 and 5<sup>th</sup> 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>

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Proposed Change to the Committee system of Governance</b>	
<b>Progress update – March 2021</b>	<p>At its meeting in November 2020, Council agreed to the adoption of the Committee system as set out in the design principles, committee structure, and to cease operating the existing Leader and Cabinet model of governance, moving to the Committee system model of governance from the Annual Council meeting on 12<sup>th</sup> May 2021.</p> <p>Council authorised the Director of Governance and Compliance, in consultation with the Constitution Committee to prepare such draft constitutional provisions as to give effect to the wishes of the Committee and be submitted to the Constitution Committee in phases during 2020/21 for recommendation to Council.</p> <p>By 12<sup>th</sup> November 2021, the Director of Governance and Compliance will provide a report to Council on the implementation of the committee arrangements with any further recommendations or amendments to the constitution.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Replacement of the Council's Core Financial Systems</b>	
<b>Description of Issue</b>	<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>
<b>Responsibility</b>	Executive Director of Place and Deputy Chief Executive.
<b>Action proposed at the time of inclusion in the AGS</b>	<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 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 against issues recognised in the Annual Governance Statement 2019/20**

<b>Replacement of the Council's Core Financial Systems</b>	
<b>Progress Update for AGS 2019/20</b>	<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"> <li>• Update on the programme delivery;</li> <li>• Update on the financial and delivery risks including those relating to COVID-19</li> </ul> <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>
<b>Progress update – March 2021</b>	<p>The Finance and Payments element of Unit 4 ERP launched in February 2021 and is now being used to process procurement and payment activity, income accounting, financial reporting and project related financial delivery.</p> <p>HR and Payroll activity continues to be undertaken in the Oracle legacy solution, pending the revised programme of activity to the go live of these modules in Unit 4 ERP which will be reported to the Shared Services Joint Committee on 12<sup>th</sup> March 2021, along with a revised report on programme expenditure.</p>

Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Replacement of the Council's Core Financial Systems</b>	
	Member oversight of the programme continues via Shared Services Joint Committee, the Joint Scrutiny Working Group and Portfolio holder briefings.
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Responding to the impact of COVID-19</b>	
<b>Description of Issue</b>	<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>
<b>Responsibility</b>	Chief Executive
<b>Action proposed at the time of inclusion in the AGS</b>	<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>
<b>Progress update – March 2021</b>	<p>Regular reports have been provided to Cabinet, providing updates on the Council's response to the COVID-19 pandemic. These reports have also been provided to the Corporate Overview and Scrutiny the Audit and Governance Committees.</p> <p>The financial impact of COVID-19 has been monitored and reported on through these updates, and in the quarterly performance reports received by Cabinet and scrutiny committees. The impact of COVID-19 is also acknowledged within the Council's Medium Term Financial Strategy and budget 2021-25.</p> <p>Reports on the Council's response and recovery activity will continue to be provided to Cabinet and other committees as appropriate.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.



*Working for a brighter future together*

## **Audit and Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Audit and Governance Committee Composition and Structure

**Senior Officer:** David Brown, Director of Governance and Compliance

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### **1. Report Summary**

- 1.1. To update the Audit and Governance Committee following the meetings of the Working Group on its proposals for the Committee's future composition and structure.

### **2. Recommendations**

- 2.1. That the Committee consider the recommendations of the Working Group outlined in this report, and in suggested Terms of Reference set out in Appendix 1 and approve these as recommendations from the Audit and Governance Committee to the Constitution Committee, for inclusion in the Constitution.

### **3. Background**

- 3.1. The Audit and Governance Committee received a report to their November 2020 meeting setting out various aspects for consideration in relation to the composition and structure of the Committee, specifically the inclusion of co-opted independent members, the size of the Committee, and maintaining separation from decision making in the context of a Committee system model.
- 3.2. The following members were appointed to the Working Group,
  - Cllr Rod Fletcher
  - Cllr Rachel Bailey
  - Cllr Margaret Simon
  - Cllr Byron Evans
  - Cllr Carol Bulman
  - Cllr Marilyn Houston

- 3.3. The Working Group's terms of reference were to;
- 3.3.1. 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.
  - 3.3.2. Review the number of co-opted independent members and make recommendations for changes as needed
  - 3.3.3. Identify any other associated recommendations arising as a result of the move to the Committee structure.
- 3.4. The recommendations to the Committee from the Working Group are set out below. Appendix A outlines a suggested term of reference for the Committee which has been updated after consideration by the Working Group.

Size of the Committee

- 3.5. Following consideration of the scope of the terms of reference as set out in Appendix A, the Working Group suggested that a committee size of 9 elected members, which would be subject to proportionality. This would currently give the following; 4:3:21:0:0.

Co-opted Members

- 3.6. The Working Group recommendation is to include 2 co-opted independent members as part of the Committee's membership, on a fixed term membership of 4 years. The independent person is entitled to be reimbursed for expenses but does not receive any allowance or remuneration.

Other recommendations

- 3.7. To maintain the apolitical nature of the Audit and Governance Committee, membership should ensure separation from decision making. To achieve this, the following are recommended by the Working Group
- 3.7.1. Membership of the Audit and Governance Committee may not include the Leader or Deputy Leader of the Council.
  - 3.7.2. Membership of the Audit and Governance Committee may not include Chairs or Vice Chairs from the Service Committees, including the Corporate Policy Committee and Finance Sub Committee.
  - 3.7.3. The Chair and Vice Chair of the Audit and Governance Committee may not sit on a service committee. If practicable they should not be from the controlling groups.

- 3.7.4. Responsibility for the Member Code of Conduct/Standards arrangements remain within the function of the Audit and Governance Committee.
- 3.7.5. The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different group to any subject member.
- 3.8. The Working Group recommended that the Terms of Reference for the Audit and Governance Committee are reviewed promptly within the first year of operation within the Committee System, with any recommendations for change being brought forward to Council in due course.

#### **4. Implications of the Recommendations**

##### **4.1. Legal Implications**

- 4.1.1. 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.
- 4.1.2. In relation to recommendations arising as a result of the proposed move to the Committee structure, the Working Group has shown regard to the allocation of 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.
- 4.1.3. 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.
- 4.1.4. 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 Borough-wide.

**6. Contact Information**

6.1. 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](mailto:josie.griffiths@cheshireeast.gov.uk)

Name: Brian Reed

Job Title: Head of Democratic Services and Governance

Email: [brian.reed@cheshireeast.gov.uk](mailto:brian.reed@cheshireeast.gov.uk)

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## **Statement of Purpose**

1. The Audit and Governance Committee is a key component of the Council's corporate governance. It provides:
  - a. independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards;
  - b. independent review of the Council's governance, risk management, control frameworks and oversees the financial reporting and annual governance processes; and
  - c. promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
2. The Committee receives reports and assurances from across the organisation. In doing so, the Committee will consider the effectiveness of the arrangements described, identifying further information needed, and/or making recommendations for improvements and additional action required.

## **Form and Structure**

3. **9** Members of the Council, subject to proportionality, which may be altered to accommodate the overall political balance calculation together with **2** co-opted independent committee members.
4. To support the political independence in this oversight committee, membership of the Committee may not include the Leader or Deputy of the Council, or the Chairs and Vice Chairs of service committees including the Corporate Policy Committee and Finance Sub Committee. The Chair and Vice Chair of the Audit and Governance Committee should not sit on service committees.
5. Members may not review decisions as part of the Audit and Governance Committee that they have made as a member of another Committee.
6. Co-opted independent members of the Committee are appointed to the Committee for a four year period. The Council on 22nd October 2015 resolved that the independent member be a voting member. <sup>1</sup>

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<sup>1</sup> 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.

7. To ensure that the Committee remains focussed on its assurance role, all members of the Committee, and any designated substitute, must be appropriately trained.
8. The success of the Audit and Governance Committee depends upon its ability to remain apolitical. It must adopt a non-political approach to its meetings and discussions at all times. Remaining apolitical also places a duty on members not to make inappropriate use of information provided to the Committee for other purposes.

### **Matters reserved for the Audit and Governance Committee**

#### ***Accountability Arrangements***

1. To report annually to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks of the Council.
2. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

#### ***Governance, risk and control***

3. To consider the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To 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 and includes an agreed action plan for improvements where necessary.
5. To consider the effectiveness of the system of risk management arrangements by receiving regular reports on the adequacy and effectiveness of the Council's risk management and reporting arrangements and receive assurance that actions have been taken as necessary.
6. To review the Council's Risk Management Policy and Framework and recommend it for approval by Corporate Policy Committee.
7. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

8. To monitor the counter-fraud strategy, actions and resources.
9. To review the governance and assurance arrangements for significant partnerships or collaborations.
10. To consider amendments to the Constitution and recommend proposals to Full Council for approval except where specifically delegated to the Monitoring Officer.

## ***Internal Audit***

11. To approve the internal audit charter.
12. 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.
13. To consider reports from the Head of Audit and Risk Management on internal audit's performance during the year, including
  - (a) updates on the delivery of the audit plan, including key findings, issues of concern and monitoring the actions taken in response to internal audit recommendations.
  - (b) reports on Internal Audit's effectiveness and compliance it's Quality Assurance and Improvement Programme, including conformance with the Public Sector Internal Audit Standards, and the results of the external assessment review of Internal Audit when due.
14. To approve significant interim changes to the risk-based internal audit plan and resource requirements
15. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
16. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
17. Receive the annual report from the Head of Audit and Risk setting out internal activity during the year, and an opinion on the level of assurance as to the Council's arrangements for governance, risk management and internal control.
18. To consider summaries of specific internal audit reports as requested.

19. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

### ***External Audit***

20. To oversee the process by which the Council's external auditor is appointed.
21. To consider specific reports as agreed with the external auditor.
22. To commission work from internal and external audit.
23. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### ***Annual Statement of Accounts***

24. 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.
25. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.
26. Monitor management actions in response to issues raised by the external auditor

### ***Related Functions***

27. 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.

### ***Standards Arrangements***

28. The Committee is responsible for the Council's standards arrangements to:
  - (a) promote high standards of ethical behaviour.
  - (b) develop, maintaining and update Codes of Conduct and protocols.
  - (c) Training

29. The Committee is responsible for monitoring and advising Council about the operation of its Code of Conduct for Councillors in the light of best practice and any changes in the law.
30. The Committee will approve the arrangements for dealing with allegations that a Councillor or a town/parish Councillor within the borough has failed to comply with the relevant Councillors' Code of Conduct.
31. To assist the Council with the appointment of Independent Persons as required by the Localism Act 2011 and any independent persons under other secondary legislation.
32. To determine any request for a dispensation under Section 33 of the Localism Act 2011, where not determined by the Monitoring Officer or to appeal against a determination by the Monitoring Officer.
33. To respond on behalf of the Council to national reviews and consultations on standards related issues.
34. To consider and make recommendations to Full Council on any other matter that may be referred to the Standards Committee relating to the conduct and training of Councillors.
35. To review, advise, monitor and report to Full Council on member training.
36. To recommend proposals to Full Council for changes to the constitution in respect of any governance or standards matters, except where specifically delegated to the Monitoring Officer

### ***Hearing Sub Committee***

37. The Hearing Sub-Committee is a Sub-Committee of the Council's Audit and Governance Committee appointed to consider complaints referred under the Code of Conduct Complaints procedure.
38. The Hearing Sub-Committee quorum will be drawn from the Audit and Governance Committee.
39. The standing Chair of the Hearing Sub Committee is the Chair of the Audit and Governance Committee; when convened for any individual item, the Chair should be of a different group to any subject member
40. The Vice Chair will be appointed by the Audit and Governance Committee and if practicable, will be from a different political group to the Chair.

41. An Independent Person is invited to attend all meetings of the Hearing Sub-committee and his/her views are sought and taken into consideration before the Hearing Sub-committee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.
42. The Independent Person is a person who has applied for the post following advertisement. He/she is appointed by Council.
43. Where the Committee finds that a failure to comply with the Code of Conduct has occurred, the Hearing Sub-Committee will determine what action, if any, to take and to apply the sanction or recommend to Council to apply an appropriate sanction.



*Working for a brighter future together*

Key Decision: Y
Date First Published: 31/7/20

## Cabinet

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**Date of Meeting:** 9 March 2021

**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

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### 1. Report Summary

- 1.1. Cabinet have received seven detailed reports since June 2020 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. In view of the enduring nature of the national and international public health emergency, this report provides a summary of key developments and by exception reporting since 1 February 2021.
- 1.3. On 22 February, the Government published a document called “COVID-19 Response Spring 2021” which includes a “roadmap” for easing restrictions in England, starting with schools and colleges on 8 March. [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/963491/COVID-19\\_Response\\_-\\_Spring\\_2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/963491/COVID-19_Response_-_Spring_2021.pdf) The Government will ease restrictions at the same time across the whole of England. The roadmap sets out four tests against which data will be reviewed – vaccine deployment, vaccine efficacy, infection rates and risk assessment of new variants of concern - and four steps over the period from 8 March until 21 June to gradually ease restrictions. Appendix 1 summarises the four steps.
- 1.4. The publication of the roadmap is welcome as it allows some preparatory time to manage the easings required on 8 March. However, it brings significant

pressure on schools, care homes and council staff providing advice and support, as well as the on-going pressures on Public Health colleagues.

- 1.5. The report also summarises the latest information on infection rates which have fallen considerably since last reported.
- 1.6. The financial impact of the pandemic on the council continues to be significant. A further update is provided in section 6.2. It is important to note that over £200m has been provided in ringfenced grants for specific purposes, the majority of which has been or is to be passported directly to other organisations. This may create an incorrect impression that all the council's COVID pressures are funded. Furthermore, the administration costs of passporting money directly to other organisations fall directly on the Council. This is significant in the case of business grants and infection control in care homes grants, for example.
- 1.7. The report will also be of interest to the Corporate Overview and Scrutiny and the Audit and Governance Committees.
- 1.8. 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. **Recommendation**

- 2.1 That Cabinet notes the issues outlined in the report.

## 3. **Other Options Considered**

- 3.1. Not applicable.

## 4. **Background**

- 4.1 The WHO Weekly Epidemiological Update issued on 16 February showed a continued fall in infections with 2.7 million new cases of Covid-19 reported in the previous week (9 - 16 February).
- 4.2 From 30 December 2019 through to 18 February 2021, over 109 million Covid-19 cases and 2.4 million deaths have been reported globally. (*From covid19.who.int*)
- 4.3 The latest international, national and local statistics are available from the following data dashboards:

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

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

[https://www.cheshireeast.gov.uk/council\\_and\\_democracy/council\\_information/coronavirus/latest-covid-19-figures-for-cheshire-east.aspx](https://www.cheshireeast.gov.uk/council_and_democracy/council_information/coronavirus/latest-covid-19-figures-for-cheshire-east.aspx)

<https://www.gov.uk/guidance/the-r-number-in-the-uk>

<https://www.england.nhs.uk/statistics/statistical-work-areas/covid-19-vaccinations/>

- 4.4 Three vaccines to protect against Coronavirus are being rolled out nationally to priority groups. In the week ending the 14 February an additional 2,320,419 people received a vaccination for Covid-19 in England. This took the total number of people vaccinated to 12,844,193. 198,745 are in the Cheshire CCG area. Data are not published on a local authority level.
- 4.5 The UK Government National Restrictions continue at the time of writing. The Prime Minister announced changes on 22 February. Details of this change are found here: <https://www.gov.uk/guidance/national-lockdown-stay-at-home>
- 4.6 The respective administrations of Northern Ireland, Scotland and Wales have introduced measures that have been tailored to their country's circumstances.
- 4.7 In the last full week of data from 16 February 2021, 582 people in Cheshire East tested positive (up to February 2021). The local infection rate was recorded as 119 cases per 100,000 population. The corresponding rate for England was 124 cases per 100,000. The estimated R rate is 0.7 to 0.9 nationally and 0.6 - 0.9 regionally as of 19 February.
- 4.8 Within Cheshire East there had been a steep decline in cases from a rate of 498 per 100,000 seen on 4 January to the locally calculated rate of 119 per 100,000 as of 16 February; a 22% decrease on the previous 7 day period. Initially rates for Cheshire East were falling more rapidly than the England average; they are now converging. Hospital capacity is improving. As of 21 February, East Cheshire NHS Trust had 48 occupied COVID beds (17% of capacity) and Mid Cheshire Hospitals NHS Trust had 88 occupied COVID beds (15% of capacity). This indicates that the national lockdown introduced in January has been successful in reducing the epidemic and its impacts on the NHS. Unfortunately, COVID related deaths in Cheshire East have risen since the beginning of January and have plateaued with 42 deaths in the last week. As deaths follow the epidemic and hospital admission curve by a few weeks, a fall is expected in the next month.
- 4.9 Case rates in all age groups have steeply decreased. For under 25 year olds, the 19-24 age group has the highest rate at 217 per 100,000 as of 18 February, followed by those 17-18 at 75 per 100,000. All other age bands under 25 are

converging around 40 per 100, 000. Cheshire East is not seeing rises in school age infections reported in the national media. Rates are falling in all age bands for the 60+ group. The 20-29 and 30-39 groups have the highest rates at 221 and 164 per 100 000 respectively as of the 19 February.

- 4.10 Covid-19 infections linked to schools in both staff and pupils continue to fall. Whilst the National Lockdown has closed schools for the majority, nurseries and special provision have remained open, and all schools remain open for the children of key workers and vulnerable children. At 15 February, there were 13 pupils and 26 staff with current positive tests making 23 schools with positive cases. While evidence suggests that transmission amongst school age children increases during term-time it is difficult to quantify the level of transmission within schools compared to other settings. The risk of infection from behaviours and contacts within schools cannot be separated from that taking place outside of schools as detailed in the paper linked below.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/948617/s0998-tfc-update-to-4-november-2020-paper-on-children-schools-transmission.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/948617/s0998-tfc-update-to-4-november-2020-paper-on-children-schools-transmission.pdf)

A new ECDC report from late December reinforces the messages from the SAGE paper about being unable to quantify transmission rate in schools:

<https://www.ecdc.europa.eu/en/publications-data/children-and-school-settings-covid-19-transmission>

Infection prevention and control within Care Homes and the weekly testing of care home staff has helped detect people who may not have symptoms and as a result reduces the risk of a serious outbreak. Adult social care data from 19 February showed 18 care homes with 2 or more cases.

- 4.11 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. Update and by exception reporting on Council actions**

- 5.1 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 A summary of the key changes since the February update that have continued to be delivered by the Council is provided below.
- 5.3 *Test and Trace and Outbreak Management* - In total, between the national and local contact tracing teams, as well as Cheshire & Merseyside Hub, 96% of positive cases are successfully closed in Cheshire East.
- 5.4 The TTCE Programme team are looking to pilot an enhanced contact tracing model in March to support the local contact tracing team. This pilot will utilise the Cheshire East Swab Squad and will involve deploying a small number of 'door knockers' to try and contact those individuals who have not been successfully contacted by telephone. Risk profiling will be undertaken to establish which individuals should be contacted by this team. If this is successful, it will be fully implemented in March 2021. Discussions are also underway with Cheshire Constabulary as an ultimate escalation point to refer cases to if the team are aware or concerned that an individual is not self-isolating.
- 5.5 The Cheshire East Swab Squad was established on Monday 11 January 2021 and is comprised of 11 individuals, including 2 team leaders, who have been trained to undertake lateral flow testing (LFT) in Cheshire East. They are an emergency response team who can respond to support with COVID outbreaks or areas/settings of concern and have also been undertaking LFT for priority cohorts and internal frontline staff during the lockdown period. The team also train other organisations to undertake LFT and distribute kits on a regular basis. The team are currently supporting over 65 organisations in Cheshire East. Alongside this testing team, the TTCE Programme team are looking to roll out a range of other LFT initiatives in March as part of a large de-escalation programme for general population testing as lockdown restrictions ease. This will include a pharmacy model, to enable participating pharmacies across Cheshire East to do LFT, and the implementation of a Dynamic Response Team who will manage several mobile LFT sites across Cheshire East. The

TTCE Programme team are also working closely with DHSC to hopefully pilot a dual use testing site at Crewe.

- 5.6 *Covid-19 Mass Vaccination* – Cheshire East received its first supplies of the Pfizer vaccine at the end of December 2020 and has subsequently received supplies of the Oxford Astra Zeneca vaccine. Since then our two local hospitals and our GP surgeries have been rolling out the local vaccination programme to the priority groups identified by national policy. Thanks to their efforts and those of the many volunteers who have assisted the sessions, vaccination coverage for the first four groups on this list has been successful with over 95% coverage in groups 1-3 and over 85% coverage in group 4. From 15 February the focus of the programme has moved to priority groups 5 and 6. This includes adults with significant longer term health conditions.
- 5.7 On 17 February a Mass Vaccination Centre opened at Alderley Park Science Centre. The centre will provide the additional capacity needed for the later phases of the programme, including the second doses of the vaccinations. Due to the success of the local campaign, the borough had a nationally determined reduction in its vaccine supplies to enable other areas of the country to catch up. Work continues to enable any eligible person from groups 1-4 who missed the initial call to be vaccinated, including any social care staff.
- 5.8 The Government set a target for all persons within priority cohorts 1 – 4 of the Covid-19 Vaccination Deployment programme to be offered their first dose of the vaccine by mid-February. Care home staff and residents are in Priority Cohort 1. At the time of writing, data obtained from care homes suggest that 92% of care home residents have been vaccinated and 72% of care home staff, although it should be noted that the data has not been verified by Health colleagues. Vaccinations in two homes were delayed because of active outbreaks. A survey of care providers is currently underway to understand the reasons why some staff are reluctant to have the vaccine.
- 5.9 The Council has taken a prominent role alongside CCG colleagues in offering vaccinations to frontline Health and Social Care workers, as defined by the NHS Green Book on Immunisations, who form part of Priority Cohort 2. This includes some Council staff as well as frontline staff working in CQC registered and non-registered care agencies, personal assistants as well as others working with clinically vulnerable people such as some Housing and Children’s Providers.
- 5.10 The Council is now required to report on the number of frontline Health and Social Care workers eligible for the vaccination, the numbers offered the vaccination and the number known to have had the first dose. Out of 1,704 CEC staff invited for the vaccination, it is known that at least 1,299 had received

the first dose by 11 February 2021 with data still to be submitted from some managers.

5.11 *Communities – Clinically Extremely Vulnerable (CEV) Support: People Helping People* was 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. This service is quickly becoming recognised amongst all residents across the borough as an essential community service. Some key recent updates associated with this service are as follows:

5.11.1 The Shielding guidance with the ‘Stay at Home’ message for the Clinically Extremely Vulnerable became effective on the reintroduction of the National Lockdown on 5 January 2021. 17,500 residents in Cheshire East that had underlying health issues were contacted by MHCLG informing them to take extra precautions and that if they require additional support to contact their Local Authority.

5.11.2 By the 15 February, 1,234 residents who asked for support were contacted through the Council’s People Helping People service, with the main request being linked to accessing food. During the calls to residents, other support needs were identified which often related to mental health, social isolation, fuel poverty and digital exclusion.

5.11.3 On 15 February, an additional 1.7 million people in England were added to the list of people advised to shield due to new criteria being added to identify those who may be clinically extremely vulnerable (CEV). This increased the number of people being asked to shield across England to 3.9 million. The new additions have been included as a new predictive risk model is being used to help clinicians identify adults with multiple risk factors that make them more vulnerable to Covid-19. This is called the QCovid algorithm. The algorithm takes into account ethnicity, sex registered at birth, BMI, medical conditions, and other socio-economic factors. In Cheshire East, 2,613 individuals aged between 18 and 70, have been added to the Shielded Patient List which will prioritise them in receiving a vaccination. Similar figures for the 70+ cohort are expected to be also added to the Shielded Patient List week commencing 1 March. Shielding for the new and existing cohort was extended from 21 February until 31 March.

5.11.4 MHCLG have stated that the funding per head of CEV population will remain the same to support Councils with additional capacity to meet the expected increased demand.

- 5.12 *Adult Social Care* - The Commissioning Team have provided significant support for the Adult 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.
- 5.13 Given the latest national lockdown, in addition to winter pressures to support the domiciliary care market we will re-commence payment for commissioned care and not claw back hours that are undelivered due to COVID-19 pandemic.
- 5.14 Cheshire East has received the second tranche of funding from Round 2 of the Infection Control fund in January. This will support care providers to limit staff movement, support safe visiting among other workforce resilience and infection control measures. The second tranche of funding has been passported to providers in accordance with the guidance.
- 5.15 The Council has also received the Rapid Testing Fund at the end of January. 80% of the fund has been passported directly to care homes and the remaining 20% will be issued to Extra Care Housing and Supported Living locations in the borough to support the increased testing of staff.
- 5.16 The Workforce Capacity Grant has also been received in February and a plan submitted to the Department of Health and Social Care conforming how this will be utilised. Providers wishing to access this fund will be required to apply using a short application form.
- 5.17 All of the additional funding streams must be spent by 31 March 2021.
- 5.18 Commissioners have formalised, in partnership with Health colleagues across Cheshire, a hospital discharge pathway for patients who are being discharged to a care home. The pathway, which reflects latest national guidance, is designed to provide guidance and assurance for care home providers. A Cheshire wide webinar was delivered to care homes on the 14 January 2021. The 'Working Together for Safe Transfers and Recovery' webinar was delivered in Partnership with Cheshire CCG, Infection Prevention control and Public Health. There were over 45 care homes who attended the webinar and feedback has been very positive particularly from providers who have adopted the hospital pathway.
- 5.19 A multi-agency Communications Task and Finish group has been established to co-ordinate and enhance joint communications between Cheshire East and Cheshire West and Chester Councils, Cheshire CCG, and other Health colleagues. This will support and supplement local ongoing communication methods such as monthly webinars, Mutual Aid calls and Provider briefings.

- 5.20 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. Additional changes are to be made to coronavirus outbreak testing in care homes from Monday 22 February. The guidance from the Department of Health and Social Care has been issued to all care homes across the Borough and officers will work closely with homes to ensure the changes are implemented in a timely manner.
- 5.21 Care homes have now fully adopted the requirement to undertake Lateral Flow Device (LFD) for their workforce. This testing method compliments the current whole home testing programme that is in place within each home. LFD training webinars have been delivered to care at home providers and are scheduled in March for complex care providers.
- 5.22 Local care home visiting guidance has been revised to reflect the national requirements. Where possible, care homes are continuing to facilitate safe visiting of relatives and family members. Public Health and the Quality Assurance team are working closely with care homes to ensure they are doing all they can to support safe visiting arrangements in care homes for family members and relatives.
- 5.23 Commissioners are part of the Social Care Employment partnership task and finish group that is being led by Skills for Care. The focus of the group is to explore how to support career promotion and virtual meaningful work experience for people across Cheshire East provider services.
- 5.24 Infection Prevention Control Service (IPC) and the Care Quality Commission have undertaken focused IPC visits to a number of care homes across the Borough. The feedback and reporting detail from both agencies has been very positive in relation to the effective management of the homes outbreak IPC management plans and process they have in place.
- 5.25 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 undertake a risk management assessment and seek assurance of the effective ongoing safe service delivery for residents. A care home visiting schedule has now been developed and Quality Assurance Officers will be undertaking onsite visits to homes starting from March 2021.
- 5.26 The Local Authority have been supplied with some PPE via the Local Resilience Forum (LRF) and the Department for Health and Social Care (DHSC) since the 24 March 2020. This arrangement with the LRF has been extended to the end of June, with the Council receiving fortnightly deliveries of PPE directly to our offices in Sandbach on a fortnightly basis. The Council continue to distribute

PPE to eligible organisations across Cheshire East. So far, the Council has distributed just under 5 million items of PPE locally.

- 5.27 PPE stock has been locally purchased and we have a sufficient supply in stores. As part of the Council's recovery and outbreak planning, we will continue to supply providers PPE on a mutual aid basis as and when required.
- 5.28 *Children's Services* – Our new interim Director of Children's Services (DCS), Ged Rowney, started at the beginning of February 2021, to maximise strategic capacity within Children's Services. This role will support services to continue to prioritise outcomes for children and young people while also responding to the changing demands and challenges as a result of the pandemic. This is an interim arrangement for the next six months while we work on developing a long-term structure that will enable us to deliver our ambitious plans for children and young people and the Council's Corporate Plan.
- 5.29 We know that for some vulnerable children and young people, attending education or an early years setting increases their safety. At the start of school closedown to all pupils in January, we assessed all the children and young people known to our services and determined which would be safer by attending education or a setting. We developed an individual plan for each child who was not attending to mitigate this risk and to encourage them to attend. We are continuing to monitor the children are not attending to ensure effective support is in place. Bi-weekly safeguarding partnership meetings continue to take place, and vulnerable children who are not in education continue to be a priority for the partnership. There is a shared partnership response to safeguarding all children, especially as some vulnerable children and young people may be less visible at this time.
- 5.30 Cheshire East has been asked to speak at an LGA conference on how we have mitigated the risk to babies and children under two throughout the pandemic, which is recognition of our work in this area.
- 5.31 *Children's Social Care* – We are continuing to see increased complexity in demand to domestic abuse services. Frontline workers have received vaccinations, however our foster carers have not as they are not in a priority group (as determined nationally). We feel it is important that they are prioritised for vaccination to enable children and young people to continue to access family homes and to experience stability in where they are living.
- 5.32 Rapid progress has been made in permanency planning for children, and our cohort of cared for children is reducing. We have now achieved 23 adoptions this year.

- 5.33 *Prevention and Early Help* – Child Health Hubs – a joint venture with the NHS to enable families to access medical clinics and support in a community setting rather than needing to attend a hospital – are now running from two of our Children’s Centres. The Jaundice Baby Clinic and Unsettled Infant Clinic are running from Monks Coppenhall, the Child Phlebotomy Clinic is running from Broken Cross. We have had positive feedback from parents on these clinics, and we put in a proposal bid to Nesta to be a centre of excellence for early years provision based on our work around Child Health Hubs and integration with the NHS.
- 5.34 A new mental health training pilot is taking place for Prevention staff to support practitioners working with children, young people and parents and carers who are experiencing mental health issues, particularly as the challenges of the pandemic have had an impact on residents’ mental health and wellbeing.
- 5.35 Joint youth patrols between the Youth Support Service and PCSOs have been taking place during lockdown to disrupt young people from mixing in groups.
- 5.36 Over 21,500 vouchers have been distributed to families and young adults in need through the Winter Grant Scheme since the beginning of December. The grant is to offer practical support in the form of food and utilities payments. This has included provision of food vouchers for families eligible for free school meals over the Christmas period and February half term. In January, the scheme was extended to include support for vulnerable families to replace or access white goods. The scheme will continue until the end of March. A referral process is in place for professionals to refer families who need this support which is working well.
- 5.37 *Education and Skills* – Attendance at Cheshire East schools has now stabilised (over 7,800 pupils were attending as at 8 February), and we are confident that the right children are in school, however we continue to monitor attendance on a daily basis.
- 5.38 The Prime Minister set out the 'roadmap' for the easing of restrictions on 22 February and confirmed during this announcement that all students would return to schools and colleges on 8 March. Planning is taking place to ensure we are ready to support schools with reopening.
- 5.39 Schools and colleges across Cheshire East are continuing to carry out Lateral Flow Tests on their staff twice a week. Staff within our Special Schools and those working on a one to one basis with clinically vulnerable children have had Covid vaccines as a significant number of children and young people they work with are at increased risk from the virus. Positive Covid cases within schools had reduced before half term. Media messages were shared over half term to encourage people to stay safe and stick to the rules to support schools to open

safely after half term to vulnerable pupils and children of keyworkers and to enable Cheshire East schools to open safely from 8 March.

5.40 The Department for Education (DfE) have asked us to share our training package for schools on supporting children's mental health and wellbeing on return to education as an example of good practice.

5.41 We are piloting a programme of support for parents to support children with phonics and reading at home and this has been well received to date.

5.42 *Business Support*

The Council is continuing to support those businesses required to close due to lockdown or similar measures through distribution of grants. The table below provides a breakdown of the allocation of the current grants available to businesses.

In council is continuing to engage with businesses throughout this period and is developing longer term support plans for the local economy to support economic recovery.

Total received @ 22 Feb 2021:		
	Applications Approved	Payments Made
<b>Mandatory Grants via Rates:</b>	<b>14,961</b>	<b>£ 28,319,810</b>
LRSG (open)	3,192	£ 2,255,235
LRSG (closed)#1 November	2,821	£ 4,524,324
LRSG (sector)	3	£ 2,286
CSP (wet led)	254	£ 254,000
LRSG (closed)#2 December	5,890	£ 7,786,965
CBLP	2,801	£ 13,497,000
<b>Discretionary Grants:</b>		
ARG	1,686	£ 3,199,857
<b>TOTAL</b>	<b>16,647</b>	<b>£ 31,519,667</b>

5.43 *Leisure Centres* – the third lockdown is having further significant impact on Everybody Sport & Recreation (ESAR), the charitable leisure trust established by the Council to operate its leisure centres, with income from memberships and participation reduced to zero during periods of closure. The Council has applied for financial support through the £100m National Leisure Recovery Fund, originally launched to enable the reopening of public leisure facilities following the second national lockdown in November 2020. However, this funding is unlikely to be sufficient to support ESAR during the third lockdown and to recover in the medium term. If the council wishes to ensure that the Council's leisure centres are able to reopen following the latest lockdown and

that the trust is able to recover to a sustainable financial position during 2021/22, the Council will be required to provide additional financial support.

- 5.44 *Enforcement* – Over a two-week period in January, officers from Regulatory Services made visits to more than 1,000 businesses to offer them support and guidance to help keep their staff and customers safe. 97% of businesses were fully compliant with the current government restrictions to control the spread of the virus. Of those that were not fully compliant, these were for minor issues such as incorrect signage and were addressed through further advice and guidance. Further visits and patrols will take place to ensure compliance remains high.

## 6. **Implications of the Recommendations**

### 6.1 **Legal Implications**

6.1.1 The Coronavirus Act 2020 has been supported by a multiplicity of regulations which provide a legal basis for enforcement etc. Supported by copious and frequent guidance notes which purports to assist in the interpretation of the regulations.

6.1.2 Any necessary urgent decisions made by the Council in response to the pandemic have followed the relevant process set out in the Constitution.

6.1.3 As amendments are made to adapt to changing social circumstances, infection rates, new COVID variants and the vaccination programme, the definitive legal position is time-specific and subject to frequent change.

6.1.4 The tier restriction regulations (The Health Protection (Coronavirus, Restrictions) (All Tiers) (England) Regulations 2020) came into force on the 2 December 2020 and 4 substantive amendment regulations were made in rapid succession on 16, 19, 26 and 31 December 2020. The lockdown regulations came into force on 5 January 2021 which provide the legal framework for the implementation and enforcement of national restrictions. The key elements are the restrictions on individual freedom to associate, restrictions on travel, closure of non-essential retail and entertainment venues.

6.1.5 There have been significant new regulations prohibiting international travel, quarantine provisions for overseas visitors, increased fines for unlawful gatherings and regulations designed to clarify and extend the enforcement provisions, powers of police constables and PCSOs which have been extended from 2 Feb to 31 March 2021.

6.1.6 The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings)

(England and Wales) Regulations 2020 remain in force and make provision for the conduct of local authority meetings up until 7<sup>th</sup> May 2021.

6.1.7 The vaccination programme success is likely to result in changes to the regulatory regime. The announcements made on 22 February 2021 setting out a 'roadmap' to ease lockdown restrictions in England will require crystallising onto a regulatory regime and any legislative changes will be disseminated as soon as reasonably practicable.

## 6.2 Financial Implications

6.2.1 The potential financial impacts of the COVID-19 pandemic are regularly reported to members via Cabinet with additional briefings provided via Audit and Governance and Corporate Overview and Scrutiny Committees and Member written briefings.

6.2.2 This report presents the latest financial position and identifies Government funding already provided or claimed to date. Significant levels of uncertainty remain over the final projected financial implications for local authorities and the approach to funding costs and income losses associated with the pandemic, continue to change 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.

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

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

The most recent forecast of financial pressures from COVID-19 on the Council's 2020/21 budget for Services is £34.1m. The figures are under frequent review. Grant funding to support expenditure and income losses is detailed in Table 1 below, in a format consistent with previous reports. £25m of un-ringfenced Support Grant has been allocated to date for the 2019/20 and 2020/21 financial years; and £3.5m has also been claimed so far under the Income Compensation Scheme. The Government also announced that £100m had been top sliced from national grant provision totals to provide support to keeping leisure centres open; and a claims process to access this funding is in progress. Table 1a identifies funding announcements provided as part of the Spending Review 2020, which will feature as part of the management of COVID related financial impacts in 2021/22 and potentially beyond.

**(ii) Collection Fund**

Potential losses on the Collection Fund relate to Council Tax and Business Rates income. The Government requires councils to spread the deficit over the next three years, although a compensation scheme has been announced, to cover up to 75% of irrecoverable losses. Cash shortfalls in-year are currently expected to be in the region of £10.9m, but this may rise as a consequence of the most recent national lockdown. The Council will continue to recover late payments where practicable, 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 for 2020/21 has changed over time**

<b>Announced</b>	<b>Funding for CEC</b>	<b>Notes</b>
<b>(England total)</b>		
<b>19<sup>th</sup> March</b>	£9.150m (£1.6bn)	Adult Social Care based payment
<b>18<sup>th</sup> April</b>	£10.539m (£1.6bn)	Payment per capita to help reflect lost income
<b>Sub-Total</b>	<b>£19.689m (£3.2bn)</b>	
<b>2<sup>nd</sup> July</b>	£2.712m (£0.5bn)	Adult Social Care / deprivation based payment
<b>12<sup>th</sup> October</b>	£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, now referred to as the COVID Formula.
<b>Total</b>	<b>£24.979m (of £4.6bn)</b>	

<b>2<sup>nd</sup> July</b>	<b>£6m</b> (£n/k) for Income Compensation	Estimated total – subject to claims process. £2.1m claimed so far, in 1 <sup>st</sup> of 3 data collection rounds  Compensation at 75p in £1 for losses above 5% of sales, fees and charges budgets
<b>2<sup>nd</sup> July</b>	<b>£nil</b> for Collection Fund	Compensation at 75p in £1 for losses (to be received in 2021/22); and defer residual Collection Fund deficit over 3yrs

**Table 1a: Un-ringfenced support announced for 2021/22**

<b>Announced</b>	<b>Funding for CEC</b>	<b>Notes</b>
<b>(England total)</b>		
<b>18<sup>th</sup> December</b>	£8.508m (£1.55bn)	5 <sup>th</sup> Tranche of Emergency Funding Grant
<b>18<sup>th</sup> December</b>	(£n/k) for Income Compensation	Sales, Fees & Charges compensation scheme extended for April-June 2021

6.2.4 Un-ringfenced government funding received to date as detailed in Table 1 (above) is currently **£25m, of which £1m was utilised in 2019/20**; and the income compensation scheme is anticipated to bring in **£6m**, if settled in full. There is potential that there could be a shortfall in funding compared to the overall financial impact on the Council. This is a changing position and the MTFs and TQR reflect that costs that are deferred, such as capital spending impacts (of £8.7m) and Collection Fund losses which are managed through the Collection Fund Earmarked Reserve. This position will be subject to ongoing analysis and review as part of the outturn reporting.

6.2.5 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; and
4. Reviewing the consequences of funding shortfalls on the Council's Capital Programme and how this impact on the Council's long-term funding of capital expenditure.

**Table 2: Specific Grants are valued at c.£240m**

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 (£67m)	£625,506	£625,506	£0
Rough Sleeping/ Next Steps Accommodation (£3.2m+£10m) **	£157,648	£68,400	£89,248
Active Travel (£225m)	£743,050	£743,050	£0
Re-Opening High Streets (£50m)	£339,533	£339,533	£0
Culture Recovery Fund (£1.57bn)	£180,000	£180,000	£0
Infection Control in Care Homes (£600m)	£5,320,292	£5,320,292	£0
Infection Control in Care Homes (£546m) 2 <sup>nd</sup> Tranche	£4,712,872	£4,712,872	£0
Business Grants (£12.3bn)***	£87,445,000 (spending to date)	£95,514,000	Awaiting guidance
Discretionary Business Grants (£617m)***	£4,357,000 (spending to date)	£4,372,250	
Local Restrictions Business	£59,181,176	£59,181,176	

Support Grants (£3.3bn) ***			
Christmas Support Payment (Wet-led pubs)	£236,800	£236,800	
Lockdown Grants (Businesses) (£4.6bn)	tba	tba	
Business Rate Holiday (£10.7bn)	£62,339,000	£60,561,068	£1,777,932
Council Tax Hardship (£500m)	£2,691,326	£2,062,635	£628,691
Local Bus Network (£167m)	£229,632	£229,632	£0
Emergency Assistance Food and basic necessities (£63m)	£326,293	£326,293	£0
Contain Outbreak Management Fund (£per/head, based on Tier) (3 tranches to 29 Dec)	£3,951,278	£3,951,278	£0
School Condition Grant (Capital) (£n/k)	£589,604	£589,604	£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 (£n/k)	£671,101	£675,474	(£4,373)
Self Isolation Test and Trace Support Payment (n/k)	£310,141	£310,141	£0
Clinically Extremely Vulnerable Individuals (£32m)	£210,000	£210,000	£0
Covid Winter Grant Scheme (£170m)	£880,472	£880,472	£0
Domestic Abuse Building Capacity Fund (£6m)	£50,000	£50,000	£0

Leisure Centres (£100m)	£n/k	£n/k (pending claims process)	£n/k
Workforce Capacity Fund (£120m)	£725,319	£725,319	£0
Rapid Testing Fund (£149m)	£1,361,266	£1,361,266	£0
Vaccine Roll-out Funding (n/k)	tba	tba	£0

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

\*\* Whilst spending in relation to Rough Sleeping/ Accommodation exceeds specific Covid grant funding in this respect, the balance is being met by other Housing grants/ reserves, and as such there will not be an additional pressure on the Revenue Account.

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

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

6.2.7 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.

### 6.3 Policy Implications

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

### 6.4 Equality Implications

- 6.4.1 Implications of any changes and restrictions will continue to be reviewed on a regular basis.
- 6.4.2 Vaccinations are prioritising older people (65 and older) and those who are clinically vulnerable. The Government has published the QCovid risk calculator created by the University of Oxford to support the NHS coronavirus response. It is an evidence-based model that uses a range of factors such as age, sex, ethnicity, and existing medical conditions to predict risk of death or hospitalisation from COVID-19. The model is being used to fast-track vaccinations and encourage more at-risk people to shield until 31 March 2021.
- 6.4.3 As mentioned in paragraph 5.36, over 21,500 vouchers were distributed over the Christmas period to families and young adults in need through the Winter Grant Scheme. The grant is to offer practical support in the form of food and utilities payments. The scheme will continue until the end of March
- 6.4.4 We carried out individual risk assessments for staff with protected characteristics, particularly in relation to BAME colleagues and staff with a disability and are issuing regular reminders to keep these under review as circumstances may change.

## **6.5 Human Resources Implications**

- 6.5.1 The latest data on staff absences on 18 February 2021 are 28 (*34 last month*) staff self-isolating and working from home, 34 (*28 last month*) staff self-isolating and not working from home (role doesn't allow), 9 (*27 last month*) Covid-related absences, and 106 (*91 last month*) non-Covid-related absences.
- 6.5.2 Staff vaccinations: as at 18 February 1858 staff are eligible for vaccinations due to their role. Of these, 80.6% have had a first vaccination.
- 6.5.3 There continues to be regular communication with staff and good co-operation with the Trade Unions.

## **6.6 Risk Management Implications**

- 6.6.1 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 which have materialised in the last month.

## **6.7 Rural Communities Implications**

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

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

6.8.1 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.

## **6.9 Public Health Implications**

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

## **6.10 Climate Change Implications**

6.10.1 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.

## **7 Ward Members Affected**

All Members.

## **8 Consultation & Engagement**

8.1 Formal consultation activities were initially paused due to the lockdown restrictions. However, we are now undertaking all consultations following a review on a case by case basis to ensure that we can continue to operate effectively.

## **9 Access to Information**

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

## **10 Contact Information**

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

Frank Jordan, Executive Director Place and Deputy Chief Executive

Jane Burns, Executive Director Corporate Services

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## APPENDIX 1 – STEP 1 TO 4

STEP 1 8 March	STEP 2 No earlier than 12 April
At least 5 weeks after Step 1	
 <b>EDUCATION</b> <b>8 MARCH</b> <ul style="list-style-type: none"> <li>Schools and colleges open for all students</li> <li>Practical Higher Education courses</li> </ul>	 <b>EDUCATION</b> <ul style="list-style-type: none"> <li>As previous step</li> </ul>
 <b>SOCIAL CONTACT</b> <b>8 MARCH</b> <ul style="list-style-type: none"> <li>Exercise and recreation outdoors with household or one other person</li> <li>Household only indoors</li> </ul>	 <b>SOCIAL CONTACT</b> <ul style="list-style-type: none"> <li>Rule of 6 or two households outdoors</li> <li>Household only indoors</li> </ul>
 <b>BUSINESS &amp; ACTIVITIES</b> <b>8 MARCH</b> <ul style="list-style-type: none"> <li>Wraparound care, including sport, for all children</li> </ul>	 <b>BUSINESS &amp; ACTIVITIES</b> <ul style="list-style-type: none"> <li>All retail</li> <li>Personal care</li> <li>Libraries &amp; community centres</li> <li>Most outdoor attractions</li> <li>Indoor leisure inc. gyms (individual use only)</li> <li>Self-contained accommodation</li> <li>All children's activities</li> <li>Outdoor hospitality</li> <li>Indoor parent &amp; child groups (up to 15 parents)</li> </ul>
 <b>TRAVEL</b> <b>8 MARCH</b> <ul style="list-style-type: none"> <li>Stay at home</li> <li>No holidays</li> </ul>	 <b>TRAVEL</b> <ul style="list-style-type: none"> <li>Domestic overnight stays (household only)</li> <li>No international holidays</li> </ul>
 <b>EVENTS</b> <ul style="list-style-type: none"> <li>Funerals (30)</li> <li>Weddings and wakes (6)</li> </ul>	 <b>EVENTS</b> <ul style="list-style-type: none"> <li>Funerals (30)</li> <li>Weddings, wakes, receptions (15)</li> <li>Event pilots</li> </ul>

APPENDIX 1 – STEP 1 TO 4

**STEP 3**

No earlier than 17 May

At least 5 weeks after Step 2



**EDUCATION**

- As previous step



**SOCIAL CONTACT**

- Maximum 30 people outdoors
- Rule of 6 or two households indoors (subject to review)



**BUSINESS & ACTIVITIES**

- Indoor hospitality
- Indoor entertainment and attractions
- Organised indoor sport (adult)
- Remaining accommodation
- Remaining outdoor entertainment (including performances)



**TRAVEL**

- Domestic overnight stays
- International travel (subject to review)



**EVENTS**

- Most significant life events (30)
- Indoor events: 1,000 or 50%
- Outdoor seated events: 10,000 or 25%
- Outdoor other events: 4,000 or 50%

**STEP 4**

No earlier than 21 June

At least 5 weeks after Step 3

All subject to review



**EDUCATION**

- As previous step



**SOCIAL CONTACT**

- No legal limit



**BUSINESS & ACTIVITIES**

- Remaining businesses, including nightclubs



**TRAVEL**

- Domestic overnight stays
- International travel



**EVENTS**

- No legal limit on life events
- Larger events



*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2020

**Report Title:** Member Code of Conduct: Standards Report

**Senior Officer:** David Brown – Director of Governance & Compliance

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### **1. Report Summary**

- 1.1. The purpose of the report is to update the Committee on the number and status of Member Code of Conduct complaints received in relation to Cheshire East Councillors and Town and Parish Councillors within our Borough

### **2. Recommendation**

- 2.1. That the report be noted.

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

- 3.1. The Audit and Governance Committee is responsible for promoting high standards of ethical behaviour by developing, maintaining and monitoring the operation of the Member Code of Conduct.

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

- 4.1. Not applicable.

### **5. Report**

- 5.1. This report provides details of complaints received in the period 1 September 2020 to 28 February 2021 (the “current reporting period”).
- 5.2. During the current reporting period, there have been a total of 37 complaints received, comprising the following:
  - 5 complaints in respect of Cheshire East Councillors. 4 of these complaints were disposed of with no further action, and 1 complaint remains outstanding.
  - 32 complaints in respect of Town or Parish Councillors. 20 of

these complaints were disposed of with no further action, 9 have been referred for formal investigation (in a total of two separate instructions), and 3 remain outstanding.

- 5.3. The complaints in the current reporting period are broken down as follows:

General Obligations		No. received	
		Borough	Town Parish
1	Selflessness	4	19
2	Integrity	3	21
3	Make choices on merit		8
4	Objectivity	3	25
5	Independent judgement	2	9
6	Accountability		12
7	Openness	2	21
8	Declaring interests	2	17
9	Use of resources		2
10	Leadership	4	35
11	Uphold the law and public trust	3	30
12	Treat others with courtesy	1	32
13	Breach equality laws		7
14	Compromise others	2	10
15	Bully any person	2	36
16	Intimidate any person	1	22
17	Disclosure of confidential information	1	10
18	Access to information	2	14
19	Pre-determination and bias	2	15

[Note: the numbers may not tally with the total number of complaints received as a Complainant may identify more than one breach of the code in a single complaint.]

- 5.4. Members will of course be aware that since 1 January 2018 a new complaints process has been in effect, whereby the Monitoring Officer can reject complaints if they do not meet a Preliminary Assessment Criteria, which is designed to identify and dispose of complaints that have no prospect of being upheld.
- 5.5. This additional stage in the process was approved by Full Council as part of the Constitution Review and has proven to be extremely effective in ensuring that the resource available is focused on complaints which disclose short-comings in conduct which should quite properly be considered under the formal process.
- 5.6. Complaints that do proceed to formal investigation in accordance with the adopted procedure will be investigated by an appropriate Council officer in most circumstances (such as a Deputy Monitoring Officer or senior lawyer). In some circumstances however this is not possible.

For instance, appropriately qualified officers may have already been involved in the detail of the complaint in question and may be seen not to be impartial, or a complaint may pose such a draw on Council resources it is necessary for it to be referred externally.

- 5.7. The Committee will be aware of the Local Government Association model code of conduct which has been published as recommended by the Standards in Public Life Committee Report. Councillors and members of the public have raised issues in respect of transparency. The Monitoring Officer will undertake a review of the Code of Conduct and associated arrangements for dealing with complaints during the second part of the current Constitution review.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

- 6.1.1. The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of Members whenever they act in their official capacity. The Code must also have a place in a suitable procedure at a local level to investigate and determine allegations against elected Members and co-opted Members.
- 6.1.2. The Council is also responsible for having arrangements in place to investigate and determine allegations against Town and Parish Councillors.

### **6.2. Finance Implications**

- 6.2.1. There is a cost to the authority when a complaint is referred for external investigation. In the current reporting period, two separate groups of complaints have been referred for external investigation (each as a single instruction), further details of which will be brought to the next Committee update.
- 6.2.2. There are no adjustments required to the Medium Term Financial Strategy as a result of this report.

### **6.3. Equality Implications**

- 6.3.1. There are no direct equality implications.

#### **6.4. Human Resources Implications**

6.4.1. There are no direct Human Resource implications.

#### **6.5. Risk Management Implications**

6.5.1. If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

#### **6.6. Rural Communities Implications**

6.6.1. There are no direct implications for rural communities.

#### **6.7. Implications for Children & Young People/Cared for Children**

6.7.1. There are no direct implications for children, young people or cared for children.

#### **6.8. Public Health Implications**

6.8.1. There are no direct implications for public health.

#### **6.9. Climate Change Implications**

6.9.1. There are no direct implications for climate change.

### **7 Ward Members Affected**

6.10. Implications are borough wide.

### **8 Access to Information**

6.11. There are no background documents to this report.

### **9 Contact Information**

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

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*Working for a brighter future together*

## **Audit and Governance Committee**

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**Date of Meeting:** 11<sup>th</sup> March 2021

**Report Title:** Strategic Risk Register – Q3 Update

**Senior Officer:** Jane Burns, Executive Director of Corporate Services

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### **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. This report provides the Audit and Governance Committee with outcomes of the review of the Strategic Risk Register at the end of Quarter Three (31<sup>st</sup> December 2020), as shown in Appendix A.
- 1.4. 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 December 2020.

### **2. Recommendation**

- 2.1 The Quarter Three 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;

<b>Key Risk Objectives</b>
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 reviewed during Quarter 3 and currently identifies 16 Strategic Risks. There have been no new risks added this quarter, or any risks removed.
- 5.3. It should be noted that there are two changes to net risk scores. The decision-making risk has increased due to the forthcoming move to a committee system. This is because of the proximity to the implementation date and the fundamental changes to how decisions are made which involve changes to the Constitution of the Council against a backdrop of concurrent strategic risks of COVID-19 response and winter pressures. The EU Exit risk score has reduced due to the transition period completing on

31<sup>st</sup> December 2020 and materialised impacts on Cheshire East haven't been significant at the end of Quarter Three.

- 5.4. The tables below inform Members of the highest rated strategic risks on the Strategic Risk 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
SR01	T	Demand for People services	16 High	↔
SR02	T	NHS funding	16 High	↔
SR03	T	Financial Resilience	16 High	↔
SR11	T	Pandemic Virus	16 High	↔
SR12	T	Failure and Fragility in Social Care Markets	16 High	↔
SR16	T	Economic Risk	16 High	↔
SR04	T	Cyber Security	12 High	↔
SR05	T	Business Continuity	12 High	↔
SR06	T	Capacity and Demand	12 High	↔
SR09	T	Capital Projects	12 High	↔

*T = Threat, O = Opportunity*

Risk Watch List (Medium rated)				
Ref	Type	Short Risk Title	Net Rating	Direction
SR08	T	Decision Making	9 Medium	↑
SR13	T	Reputation	9 Medium	↔
SR14	T	Climate Change	9 Medium	↔
SR10	O	Infrastructure Investment	8 Medium	↔
SR07	T	EU Exit	6 Medium	↓
SR15	T	Business Rates	6 Medium	↔

*T = Threat, O = Opportunity*

Increasing Risks			
Ref	Type	Short Risk Title	Net Rating
SR08	T	<b>Decision Making</b> 19 November 2020 Council resolved to change the style of governance to a committee system. The transition from one governance system to another requires fundamental changes to the decision-making process supported by the Constitution and further approvals by full	9 Medium (Increased from 6)

Increasing Risks			
		<p>Council. Managed through the Constitutional Project team.</p> <p>Consequential and routine amendments and updates were made to the Constitution in November 2020. Updates due in May 2021 and Nov 2021 to ensure the newly adopted arrangements remain fit for purpose.</p> <p>The increase in the net risk score is because of the proximity to the implementation date and the fundamental changes to how decisions are made which involve changes to the Constitution of the Council against a backdrop of concurrent strategic risks of COVID-19 response and winter pressures.</p>	
<i>T = Threat, O = Opportunity</i>			

Decreasing Risks			
Ref	Type	Risk Title / description	Net Rating
CR07	T	<p><b>EU Exit</b> EU transition was completed on 31 December 2020</p> <p>Partners and the Council have put appropriate transition arrangements in place in relation to impact on the economy, procurement, impact on key services, impact on regulation, impact on the transport networks, supply of essential materials, employment and data management</p> <p>Impacts continue to be monitored but the actual impacts reported to date are low.</p>	<p>6 Medium (Decreased from 8)</p>
<i>T = Threat, O = Opportunity</i>			

**Risk management operational response to COVID and associated winter risks**

- 5.5. The unprecedented nature of the COVID-19 pandemic continues to impact on the Council and the Borough. From a risk management perspective, there are interdependencies with all of the high level risks. This dynamic risk environment is being managed through regular dialogue to identify, manage and review those risks. The response to COVID-19 continues to be managed through CEMART, the Council's Emergency Management and Reponse Team.
- 5.6. As reported to Committee in November 2020, the Council invested in developing and delivering plans to address concurrent strategic risks during the winter period. Adverse weather plans have been particularly tested and coped well.
- 5.7. Risk Management colleagues continue to provide 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. Risk registers for each of the bronze cells for COVID 19 response and recovery have been reviewed and updated to reflect activity during Quarter Three. They are dynamic documents which have been adjusted since 31 December 2020, particularly in respect of the impact of the changing restrictions and the third national lockdown from 4 January 2021.
- 5.8. Cabinet has continued to receive updates on the Council's response and recovery to COVID-19. These have also been included on the agenda for Audit and Governance Committee, and set out more detail about the response and recovery arrangements which are helpful background for Members consideration of risk.

**Business Continuity**

- 5.9. During Quarter Three, Emergency Planning led testing of the Council's flood response plans to ensure they could be operated 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. Flood risk is considered high and has been prevalent over the last three years impacting on highways and homes. Some local flooding was experienced, including Storm Christophe.

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. A weekly review of EU exit risks has taken place during Quarter Three and continues to be reviewed.

## 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 Q4, 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 four.
3	Move to a "5 x 5" risk scoring matrix which will provide greater granularity which will aid the management of risk and improve our risk maturity.	This will be completed 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	Currently under review.
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.

	Strategy Priority	Progress Update
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 and interdependent 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. 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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Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
SR1 Threat	<b>Increased Demand for People Services:</b> 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.	Executive Director of People	Director of Adult Social Care	16	<ul style="list-style-type: none"> <li>Adults operate monthly quality monitoring partnership forum.</li> <li>Quality and reporting and alerting of risk escalation is being effectively managed. Provider risk register is monitored and reviewed.</li> <li>Established a care sourcing team support service and local area co-ordination services to divert people away from care where appropriate.</li> <li>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.</li> <li>A great deal of activity is directed at managing this risk and above details so key activity,</li> <li>Activity has been focused on COVID response.</li> <li>Short to medium term impact on the economy may lead to increased unemployment, benefit claims, associated mental health, alcohol related harm, domestic violence etc.</li> <li>The ongoing COVID pandemic has seen large increases for service in relation to mental health, safeguarding and DOLS referrals. Demand and complexity is growing across the board.</li> <li>The communities team are offering early intervention to prevent the CEV from entering the social care system.</li> </ul>	16	16	
SR2 Threat	<b>NHS Funding Pressure</b> 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.	Interdependencies between SR1 and SR3 are recognised.  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. COVID-19 infection rates increased significantly during Quarter Three	Executive Director of People	Director of Commissioning	16	<ul style="list-style-type: none"> <li>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.</li> <li>The ongoing Covid pressures upon health will impact upon the budget pressure of health, however the pressure remains that the risk of shifting costs to Social Care.</li> </ul>	16	16	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
		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.				<ul style="list-style-type: none"> <li>Cheshire East Council is currently accessing the emergency discharge funding, but this is short term.</li> </ul>			
SR3 Threat	<p><b>Financial Resilience – lack of certainty about future funding make it difficult to set a robust MTFS</b></p> <p>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>	<p>The impact of COVID 19 has added a significant financial pressure to the budget. The expenditure is being tracked and 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&amp;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. Business planning process has been completed. The Reserve strategy has been reviewed.</p> <p>The Council produced a balanced 2021/22 Budget for consultation in December 2020 based on certain assumptions on government funding. The Spending Review 2020 has reduced grants but increased flexibility to raise Council Tax. This does not produce further certainty on government funding, which remains a significant risk.</p>	Executive Director of Corporate Services	Director of Finance and Customer Services	16	<ul style="list-style-type: none"> <li>The Medium-Term Financial Strategy has been produced with activity to address the risk of lack of certainty about future funding.</li> <li>Business planning process has been completed. The Reserve strategy has been reviewed.</li> <li>The 21/22 budget has been subject to consultation and will be presented to Council 17<sup>th</sup> February 2021.</li> <li>Tracking of additional COVID related expenditure and impact upon income is undertaken and reported upon monthly to central government</li> <li>The financial impact of Covid is regularly reported to Cabinet and Corporate Overview and Scrutiny meetings.</li> </ul>	16	16	↔
SR4 Threat	<b>Information Security and Cyber Threat</b>	The Council is still aware of increased threat of malicious activity during the Covid-19	Executive Director of	Head of ICT and CIO	16	<ul style="list-style-type: none"> <li>ICT have plans in place to protect and secure our systems to cyber-attacks.</li> </ul>	12	12	↔

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
	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, possible penetration and crippling of the Council's IT systems preventing it from delivering its Corporate Outcomes.	<p>pandemic. ICT Service has stepped up its monitoring and staff have been made aware of the importance of constant vigilance.</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 areas for a short period</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>	Corporate Services			<ul style="list-style-type: none"> <li>Testing of security systems is carried out to provide assurance on the quality of systems in use</li> <li>The Council is exploring Cyber threat insurance and further developing its management of this risk.</li> <li>We follow NCSC guidance and learning from other authorities.</li> <li>ICT has supported CEMART and Bronze Cell structures with dedicated ICT partners to identify and implement change requirements needed to minimise disruption to service provision and maintain appropriate levels of security.</li> </ul>			
SR5 Threat	<p><b>Business Continuity</b></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 third lockdown will impact on this risk and hence warrants regular review.</p> <p>COVID-19 has created unprecedented demands and challenges. Business Continuity plans are regularly reviewed, particularly in relation to capacity, resource and staff availability.</p> <p>Whilst the majority of incidents are outside of the Council's control incidents could have a further impact if they materialise during Covid restrictions.</p> <p>Whilst the EU exit risk is decreasing there are still a number of uncertainties which could impact on Business Continuity linked to dealing with concurrent risks such as COVID, flooding etc.</p> <p>The use of, and further development of the Business Continuity software is ongoing, and plan owners have been asked to review and update their plans.</p>	Executive Director of Corporate Services	Risk and Business Continuity Manager	16	<ul style="list-style-type: none"> <li>Implementation of Clearview Scenario testing has been undertaken</li> <li>Training has been provided to Heads of Service</li> <li>Post emergency response review planned to capture feedback and lessons learned to inform further training and system development.</li> </ul>	12	12	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
SR6 Threat	<p><b>Capacity and Demand Risk – Corporate Enablers</b></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"> <li>- key resources being overstretched and having insufficient capacity to deliver all business plan requirements,</li> <li>- 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 deliver all of its intended objectives and outcomes.</li> </ul>	<p>There continue to be 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 package of support for wellbeing and regular communication. Staff sickness absence relating to Covid-19 is monitored on a regular basis. On ongoing nature of the pandemic is having an impact on staff. Some additional capacity has been secured through external funding.</p> <p>The programme to migrate staff and Members to Windows 10/Office 365 achieved 100% in December 2020. This has enabled us to work remotely and flexibly</p>	Executive Director of Corporate Services	Head of HR	12	<ul style="list-style-type: none"> <li>• During COVID-19, staff absence is being monitored on a very regular basis.</li> <li>• Through CEMART, detailed work has been done on capacity planning, including identifying staff who may be redeployed to higher priority activity.</li> <li>• Staff are being supported through comprehensive package of measures, including the Golden Practices and regular communication and engagement.</li> </ul>	12	12	
SR7 Threat	<p><b>EU Transition</b></p> <p>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>	<p>EU transition was completed on 31 Dec 2020</p> <p>Partners and the Council have put appropriate transition arrangements in place in relation to impact on the economy, procurement, impact on key services, impact on regulation, impact on the transport networks, supply of essential materials, employment and data management</p> <p>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.</p> <p>A further action that is being taken is rehearsing the support that would be</p>	Executive Director of Place	Executive Director of Place	12	<ul style="list-style-type: none"> <li>• Multi- Agency management through SCG meets weekly – DCX attends</li> <li>• CE risk assessment reviewed weekly</li> <li>• Review of position reviewed weekly through CEMART</li> </ul>	8	6 Decreasing risk	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
		<p>provided if one the Borough's major employers closes or announces significant reductions in its workforce.</p> <p>Furthermore, plans are in place to continue to support international businesses with their investment decisions.</p> <p>Impacts continue to be monitored but the actual impacts reported to date are low.</p>							
SR8 Threat	<p><b>Decision Making</b></p> <p>A. failure of the transformation of the Council's governance structures from an executive strong leader/Cabinet to a committee system resulting in an inability to make timely and effective decisions.</p> <p>B. The 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 noncompliance with best practice and statutory responsibilities.</p>	<p>Sound governance processes including oversight by officers and members will mitigate the risk.</p> <p>19 November 2020 Council resolved to change the style of governance to a committee system. The transition from one governance system to another requires fundamental changes to the decision-making process supported by the constitution and further approvals by full Council. Managed through the Constitutional Project team.</p> <p>Consequential and routine amendments and updates were made to the constitution in November 2020. Updates due in May 2021 and Nov 2021 to ensure the newly adopted arrangements remain fit for purpose</p>	Executive Director of Corporate Services	Director of Governance and Compliance Services	12	<ul style="list-style-type: none"> <li>Constitutional and Governance Project Team to deliver transformation.</li> <li>Constitution amendments overseen by Constitution Committee</li> <li>Working party overseeing development of Committee system governance changes</li> <li>Use of urgency powers is reported to Cabinet and Council</li> </ul>	6	9 Increasing risk	
SR9 Threat	<p><b>Capital Projects</b></p> <p>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>	<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 Governance mechanisms include Corporate Board overseeing all capital schemes (Assets Board). Individual schemes have appropriate governance. Review of resources for each scheme being undertaken.</p>	Executive Director of Place  Executive Director of People	Executive Director of Place	16	<ul style="list-style-type: none"> <li>Robust management of projects</li> <li>Financial controls in place</li> <li>Governance mechanisms include Corporate Board overseeing all capital schemes (Assets Board).</li> <li>Individual schemes have appropriate governance. Review of resources for each.</li> </ul>	12	12	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
SR10 Opp	<b>Infrastructure Investment</b> 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	Project Manager	16	<ul style="list-style-type: none"> <li>This risk will be reviewed by the HS2 Programme Board on a monthly basis and the chair informs CLT accordingly.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ul>	8	8	
SR11 Threat	<b>Pandemic virus</b> 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 besides the newly introduced vaccine. It is expected that the roll out of the vaccines will over time begin to have positive impacts, reducing pressure on services and hopefully slowing transmission</p> <p>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</p>	Chief Executive	Director of Public Health	16	<ul style="list-style-type: none"> <li>Review pandemic flu and business continuity plans</li> <li>Work with Local Resilience Forum (LRF) partners together to plan for the management of: <ul style="list-style-type: none"> <li>Demand on the NHS and social care Co-ordination of vaccinations</li> <li>Public awareness and media management</li> <li>Excessive levels of death.</li> </ul> </li> <li>Ongoing COVID-19 pandemic poses risk of need for national/local lockdowns and increased pressures being placed on local health and care settings and workforce.</li> </ul>	16	16	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
		collaboration with partners across the sub-region and Cheshire and Merseyside).  A third wave of the virus has developed, increasing risks to individuals and placing additional pressures on health and social care providers. Local Authorities are being requested to take on more responsibilities in relation to local contact tracing and now supporting the vaccination process. 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"> <li>Financial impact - see SR3</li> <li>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.</li> </ul>			
SR12 Threat	<b>Fragility and failure in the social care market</b> 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	Director of Adult Social Care	16	<ul style="list-style-type: none"> <li>Funding and mutual aid has been provided to providers, together with PPE to support all providers.</li> <li>Large numbers of vacancies within bed-based service have caused concern however financial aid has been provided.</li> <li>There is an ongoing risk of staffing shortages in relation to covid, EU exit and staff leaving the sector.</li> <li>Going forward the reluctance of staff to take up the offer of a covid vaccine could further impact upon the market and workforce.</li> </ul>	16	16	
SR13 Threat	<b>Reputation:</b> 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	Communications Manager	16	<ul style="list-style-type: none"> <li>Weekly reputation reporting to senior managers</li> <li>Senior member overview of COVID-specific communications activity through Local Outbreak Engagement Board</li> <li>Weekly COVID-specific comms activity and planning as part of CEMART</li> <li>Monitoring of social and traditional media</li> <li>Media protocol and approvals process</li> <li>Communications strategies for key projects and issues developed agreed and reviewed with senior stakeholders and decision makers</li> <li>Weekly meetings with comms leads from public sector partner organisations to collaborate, share plans and intelligence</li> <li>Review communications business continuity, priorities and emergency / crisis comms protocols</li> </ul>	9	9	

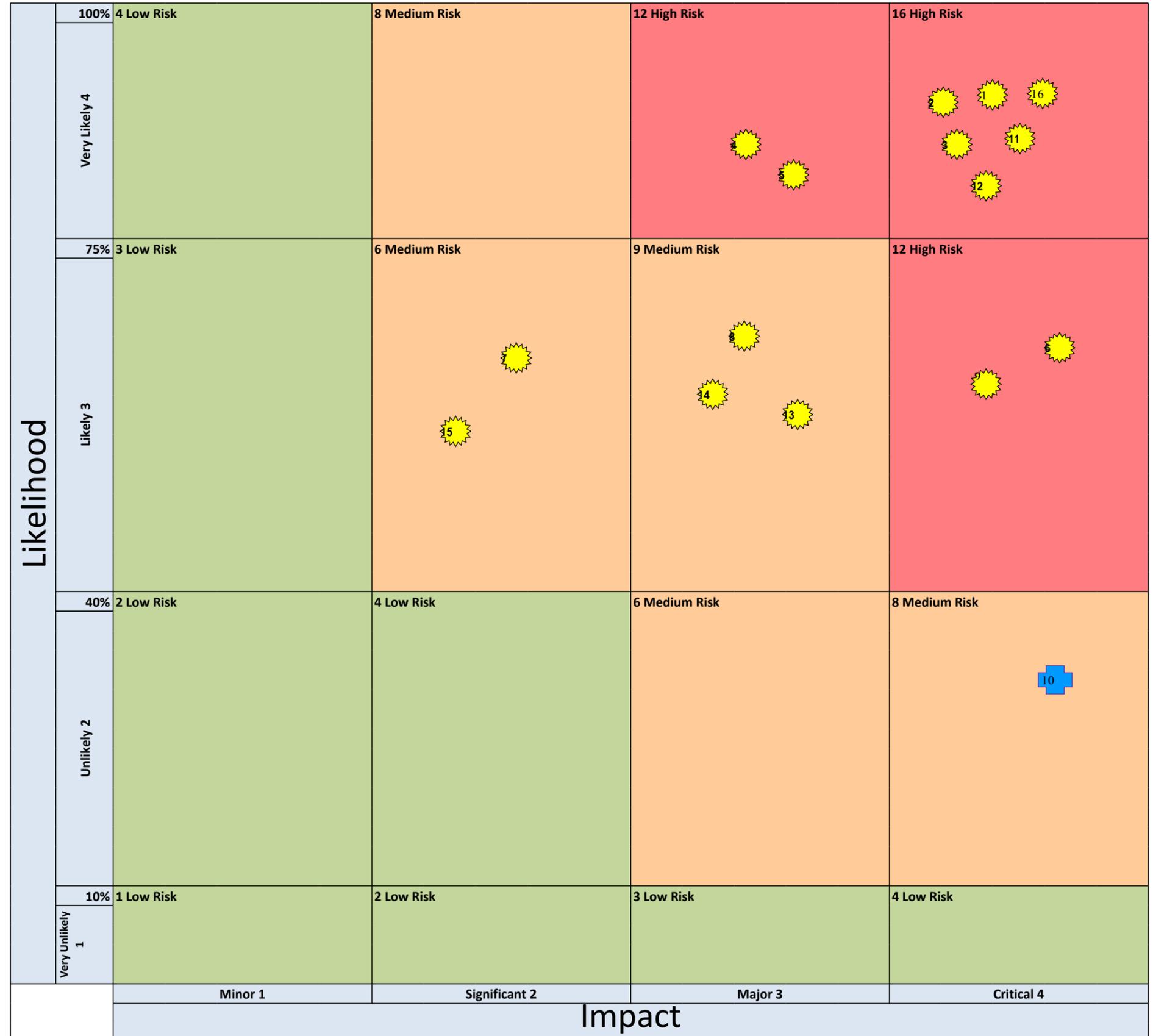
Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
						<ul style="list-style-type: none"> <li>Comms programme planned and reviewed over short-term (daily) and long-term (monthly / annually)</li> </ul>			
SR14 Threat	<b>Climate Change</b> Risk that the Council has an increased cost due to implementation of the climate change strategy.	<p>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.</p> <p>While the Council is seeking to cover core cost of the program and feasibility though the allocated program budget individual services and directorates may require additional funding to meet high standards such building Bream excellent or equivariant and carbon zero transport commitments. Where possible grant funding will be used, and costs spread over the 4-year life of the program. Any additional funding request will form part of future MTFs business case cycles.</p>	Executive Director of Place	Head of Environmental Services	16	<ul style="list-style-type: none"> <li>Risk is reviewed as part of the brighter futures transformation projects board, operational board and member steering group.</li> <li>Environment Strategy</li> <li>Carbon Action plan in train and being delivered</li> <li>Steering group overseeing its delivery</li> </ul>	9	9	
SR15 Threat	<b>Business rates</b> 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	Director of Finance and Customer Services	9	<ul style="list-style-type: none"> <li>Responses to the consultation by Central Government have been delayed due to restrictions on Parliamentary capacity.</li> <li>The Council continues to minimise any reliance on local growth in business rates to support local services in the medium term</li> </ul>	6	6	
SR16	<b>Council funding / Economic Risk</b> 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	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	Head of Economic Development	16	<ul style="list-style-type: none"> <li>Business Support and Grants</li> <li>Employment support</li> <li>Business forum to engage and plan future support</li> <li>Investment plans to support regeneration and development</li> <li>Place marketing and inward investment</li> </ul>	16	16	

Risk Ref	Risk Description	Commentary	Risk Owner	Action Lead	Gross Score	Risk Management Activity	Previous Risk score Q2	Current Net Risk Score	Direction of Travel
	confidence in Cheshire East; and severe impacts on the Councils income and exert pressure on its revenue and capital programmes.								

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### Cheshire East Council Risks Heat Map - 27.01.21

Risk Titles		
T=Threat / O=Opportunity		
SR01	Increased Demand for People	T
SR02	NHS Funding and Health Care Partnership Plan	T
SR03	Financial Resilience	T
SR04	Cyber Security	T
SR05	Business Continuity	T
SR06	Capacity and Demand - Corporate Enablers	T
SR07	EU Exit	T
SR08	Decision Making	T
SR09	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
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.	Threats
Major impact on corporate objectives and performance, could be expensive to recover from and would adversely affect reputation in the medium to long term.	
Significant impact on corporate objectives, performance and quality, could have medium term effect and be potentially expensive to recover from.	
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.	
Effect on Corporate Objectives	Factor
Result in major increase in ability to achieve one or more strategic objectives	Opportunities
Impact on some aspects of the achievement of one or more strategic objectives	

**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 & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Internal Audit Plan 2021/22

**Senior Officer:** Jane Burns, Executive Director of Corporate Services

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### **1. Report Summary**

- 1.1. The purpose of this report is for the Committee to receive and approve the Summary Internal Audit Plan for 2021/22.
- 1.2. The Council's Internal Audit Charter, which has been developed to ensure compliance with the Public Sector Internal Audit Standards (PSIAS), requires the preparation of a risk based internal audit plan which takes into account the need to produce an annual internal opinion. The opinion is a key source of assurance for the Annual Governance Statement (AGS) which is approved by the Audit and Governance Committee and signed by the Council's Chief Executive and Leader.
- 1.3. The preparation and delivery of the Annual Internal Audit Plan, the annual opinion on the organisation's arrangements for governance, risk and internal control, and the assurances these provide to the Annual Governance Statement are key indicators and contributors for the Council's corporate objective of being a responsible, effective and efficient organisation.

### **2. Recommendations**

- 2.1. That the Committee:
  - 2.1.1. Approve the Internal Audit Plan 2021/22
  - 2.1.2. Note that the plan details priority work during quarters 1 and 2 along with additional areas for consideration during quarters 3 and 4. Progress against the plan, and the priorities for the last 6 months will be reported back as part of the regular updates to the Committee.

### **3. Reasons for Recommendations**

- 3.1. The Council's Internal Audit Charter, developed in accordance with the Public Sector Internal Audit Standards (PSIAS), requires the production of an annual internal audit plan.
- 3.2. The authority to approve the annual internal audit plan is within the Audit and Governance Committee's Terms of Reference.

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

- 4.1. Not applicable.

### **5. Background**

- 5.1. All principal local authorities subject to the Accounts and Audit Regulations 2015 must make provision for internal audit in accordance with the Public Sector Internal Audit Standards. The Standards state that the provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the Head of Audit and Risk (as "Chief Audit Executive") to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 5.2. The planning process and risk assessment is detailed in Appendix A. Through this additional and thorough consultation we look to ensure that internal audit resources continue to focus on areas where assurance provides the most value, particularly during periods of change.
- 5.3. For planning purposes, the 2021/22 plan will be based on the current team structure with adjustments made where necessary to reflect any changes in resource during the year.
- 5.4. Proposed audit activities identified through the development and consultation process are matched against the internal audit resources available and prioritised accordingly; the proposed risk-based summary internal audit plan for 2021/22 is included in Appendix A.
- 5.5. In accordance with PSIAS, the plan is fixed for a period of no longer than one year. It details the assignments to be carried out, their respective priorities, (by differentiating between core assurance work and other work), and the estimated resources required. The Corporate Leadership Team has been consulted on the plan prior to presentation to the Audit and Governance Committee.
- 5.6. The Plan will continue to be reviewed and refined during the year. Minor changes to the plan will be discussed with the Executive Director of Corporate Services, and any significant matters impacting upon the

completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

5.7. In accordance with the Council's Internal Audit Charter, the Audit and Governance Committee is asked to review and approve the summary internal audit plan 2021/22. In doing so, Members should consider whether the:

5.7.1. scale and breadth of activity is sufficient to allow Internal Audit to provide an independent and objective audit opinion that can be used to inform the AGS

5.7.2. level of resources in any way limits the scope of Internal Audit, or prejudices the ability to deliver a service consistent with the Standards

5.7.3. level of non-assurance work has an adverse impact on the core assurance work.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015. The latter states that authorities "must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

6.1.2. The guidance accompanying the Regulations recognises that with effect from 1st April 2013, the Public Sector Internal Audit Standards (PSIAS) represent "proper internal audit practices". The PSIAS apply to all internal audit service providers within the UK public sector.

### **6.2. Finance Implications**

6.2.1. In accordance with the PSIAS, the Audit and Governance Committee should ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. A small contingency allocation has been included at this stage.

6.2.2. The Internal Audit Plan 2021/22 has been prepared, based on current resources, to cover the core areas of work required to deliver an annual

audit opinion. This will be compared to resource availability as part of establishing the plan and in monitoring progress against the plan.

6.2.3. If an imbalance between the two arises the Committee will be informed of proposed solutions. Matters that jeopardise the delivery of the audit plan or require significant changes to it will be identified, addressed and reported to the Committee.

**6.3. Policy Implications**

6.3.1. There are no direct policy implications.

**6.4. Equality Implications**

6.4.1. There are no direct implications for Equality and Diversity.

**6.5. Human Resources Implications**

6.5.1. To ensure that the Internal Audit team can continue to deliver the necessary levels of assurance to the organisation, the opportunity is being taken to reflect on the requirements of the organisation and ensure that sufficient resource is available to deliver this.

6.5.2. Internal Audit are currently at reduced capacity pending a restructure and interim arrangements are being explored to address the immediate shortfall.

**6.6. Risk Management Implications**

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

**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. The Internal Audit plan supports the operation of the entire Council. All Wards are therefore affected.

## 8. Consultation & Engagement

8.1. In preparing the Summary Plan, there has been consultation to identify the expectations of senior management, external audit and other key stakeholders. This is covered in Appendix A.

## 9. Access to Information

9.1. The following are links to relevant standards and regulations

9.1.1. [Public Sector Internal Audit Standards \(PSAIS\)](#)

9.1.2. [The Accounts and Audit Regulations 2015](#)

## 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

Email: [josie.griffiths@cheshireeast.gov.uk](mailto:josie.griffiths@cheshireeast.gov.uk)

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# Internal Audit Plan 2021/22

Audit and Governance Committee 11<sup>th</sup> March 2021

## 1. Introduction

- 1.1. This document sets out Cheshire East Council's Internal Audit Plan for 2021/22. It also covers how the service will be delivered and developed in accordance with the Internal Audit Charter and how the plan links to the Council's objectives and priorities.
- 1.2. The provision of assurance is the primary role for Internal Audit. This role requires the Head of Audit and Risk as the Chief Audit Executive, to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control (i.e. the control environment).
- 1.3. The objectives in producing the Internal Audit plan each year are to ensure that the scale and breadth of activity is sufficient to allow the Chief Audit Executive to provide an independent and objective opinion to the Council on the control environment and that audit activity focuses on areas where assurance is most needed.
- 1.4. This plan, detailed in Table 3, has been produced on the basis of the known, current, resource available. Revised plans reflecting the development of Internal Audit will be produced and brought back to the Audit and Governance Committee in due course.
- 1.5. In developing the plan, we have looked to recognise the context of strategic and operational change affecting the Council, and to focus on providing assurance that previously identified significant control weaknesses have been effectively and efficiently addressed and improved.

- 1.6. This summary plan has been drawn up on the basis that the control environment and risk profile of the Council will continue to change during the course of the next financial year, and the plan will be monitored and re-aligned during the year to ensure it remains responsive, adaptable and resource is directed to those areas where assurance is most required.
- 1.7. There is also a recognition of the significant impact of the Covid-19 pandemic on the organisation as a whole and the delivery of the 2020/21 Internal Audit Plan. Therefore, the plan identifies the level of resource available for the full year and details the priority work intended to be carried out over the next 6 months along with areas for consideration in the second half of the year.
- 1.8. This will allow Internal Audit to be agile in responding to emerging risks and issues during these challenging times. Progress against the plan, and the priorities for the last 6 months will be reported back as part of the regular updates to the Committee.

## 2. Responsibilities and Objectives of Internal Audit

- 2.1. The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal Audit plays a vital part in advising the Council that these arrangements are in place and operating properly.
- 2.2. Internal Audit is described in the Public Sector Internal Audit Standards (PSIAS) as "independent, objective

assurance and consulting service designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

- 2.3. Internal Audit's primary function is the provision of assurance. This is delivered through the provision of the annual internal audit opinion, which informs the Annual Governance Statement and is based on an objective assessment of the framework of governance, risk management and control.
- 2.4. Subject to the availability of resources, and there being no impact on the core assurance work, non-assurance work, including fraud related, and consultancy work may be undertaken at the request of the organisation. As seen within the 2020/21 plan, we expect consultancy and advice to feature more prominently within the 2021/22 plan as the Council's response to Covid-19 continues along with the implementation of the Committee system and new core financial systems.
- 2.5. It is not the responsibility of Internal Audit to detect fraud, but the potential for it to occur is considered in each assignment. It is the responsibility of the organisation to create an environment of no tolerance, and ensure adequate controls are in place to prevent and detect fraud.
- 2.6. The Council's response to internal audit activity should lead to the strengthening of the control environment

and, therefore positively contribute to the achievement of the Council's objectives.

### **3. Standards, Ethics and Independence**

- 3.1. Our Internal Audit Charter is designed to conform to the PSIAS which came into effect from 2013 and were revised with affect from 1<sup>st</sup> April 2017. All internal audit work will be delivered in line with the requirements of the Standards.
- 3.2. All Internal Audit staff comply with the mandatory local Code of Ethics, which is based upon the Code included in the PSAIS. Internal Audit staff are also bound by the requirements of their respective professional bodies.
- 3.3. Declarations of Interest in line with the Council's Code of Conduct are made by the Internal Audit team; these are considered in the allocation of every engagement to ensure there are no conflicts of interest.
- 3.4. In order to provide effective assurance on the Council's arrangements for governance, risk and internal control across all aspects of service delivery, Internal Audit is independent of all the activities of the Council. Internal Audit's rights of access are outlined in the Internal Audit Charter.

### **4. Planning Methodology**

- 4.1. The planning process undertaken recognises and complies with the requirements of the Public Sector Internal Audit Standards in relation to planning. In

accordance with PSIAS, the plan is fixed for a period of no longer than one year.

- 4.2. In accordance with the Charter, the annual internal audit plan for 2021/22 has been developed using a risk based methodology to prioritise the audit universe, consistent with the organisation's goals. The risk-based plan takes into account the requirement to produce an annual internal audit opinion and the assurance framework.
- 4.3. The starting point for preparing the Plan is to consider the adequacy and outcomes of the Authority's risk management, performance management and other assurance processes.
- 4.4. As the Council has recognised its current level of risk maturity as between "risk aware and risk defined" and has established the target of becoming "risk managed"<sup>i</sup>, additional work has been undertaken by the Internal Audit team to inform and develop the Internal Audit plan.
- 4.5. The Internal Audit Plan needs to be flexible to be able to reflect the changing risks and priorities of the organisation. It is, therefore, presented at a summary level. The plan is monitored regularly throughout the year to ensure that it addresses key areas of risk and emerging issues.
- 4.6. Internal Audit's own risk assessment, considers issues at an organisation, regional and national level as well as the results of previous audit work. The assessment considers materiality, sensitive and significance of each. This prioritises areas for inclusion in the plan.

4.7. Factors considered in the risk assessment are listed below,

- Objectives from the Cheshire East Council's Corporate Plan 2021-25
- Risks and opportunities recognised on the Strategic Risk Register
- Briefings from CIPFA's Better Governance Forum
- Items in the current year Plan which are in train at the year end, or need to be rolled forward into the new plan
- Coverage from previous internal audit plans and the outcome of follow up work
- Consultation with key internal stakeholders; Corporate Leadership Team, Senior Management including Strategic Risk Owners/Managers and Internal Audit staff
- External stakeholders and other assurance providers; External Audit, Cheshire West and Chester Internal Audit, the North West Chief Audit Executive Group and other inspectorate agencies and providers of assurance.

4.8. The Plan will be continue to be reviewed and defined during the year, to ensure the following processes are considered:

- Outcomes from the Strategic Risk Management Process.
  - Outcomes from the business/commissioning planning process, including key organisational objectives and priorities and risks to achieving them.
  - Outcomes from the Annual Governance Statement process.
  - Continuing consultation with key stakeholders.
  - The outcome of consultation on a new structure for Internal Audit
  - The continuing assessment of an Assurance Framework, to ensure existing sources of assurance provision are captured and understood, ensuring effective planning and efficient deployment of resources.
- 4.9. In delivering the 2021/22 Plan, there will be a need to take account of the following:
- the requirement to use specialists, e.g. ICT or contract and procurement auditors
  - outcomes from the restructure and development of Internal Audit
  - Self-assessment against the Quality Assurance and Improvement Programme (QAIP) and self-assessment against the PSIAS

- clarification on any requirements for internal audit support to the Council's Alternative Service Delivery vehicles, and any other organisations where the Council acts as host or accountable body.

- 4.10. Minor changes to the plan will be discussed with the Executive Director of Corporate Services, and any significant matters impacting upon the completion of the plan or the ability to provide the annual opinion will be reported to the Corporate Leadership Team and the Audit and Governance Committee.

## 5. Key Themes and Outputs

- 5.1. It is important to recognise the significant impact of the Covid-19 pandemic on the delivery of the 2020/21 Audit Plan. As such, a decision has been taken to identify priority work for the first 6 months of 2021/22 rather than setting out a full year plan given the ongoing uncertainties in relation to this matter.
- 5.2. These priorities will be subject to review throughout the year thus enabling Internal Audit to respond to emerging risks and issues and continue to add value to the organisation. Changes to the Plan will be reported to future meetings of Audit and Governance Committee.
- 5.3. Key themes within the 2021/22 Internal Audit Plan include:
- Assurance around the implementation and operation of the new ERP system (B4B/Unit4)

- Assurance around the implementation and impact of the Committee System on the Council’s decision-making processes
- Assurance around the implementation and continuing impact of measures introduced in response to the Covid-19 pandemic

5.4. The outputs from the plan fall into two main areas:

**Assurance Audits**

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

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

**Consulting Services**

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

In some cases, it may not be appropriate or proportionate to provide a full report and opinion. In these instances advice may be documented by email or

a formal memo or email reference and a short note will be made in the annual report.

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

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

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

**Corporate Governance and Risk**

- Support to and co-ordination of the production of the Annual Governance Statement (AGS).

- Attendance at officer working groups such as the Information Governance Group.

#### **Statutory Returns**

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

#### **Anti-Fraud & Corruption**

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

#### **Follow Up**

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

#### **Advice and Guidance**

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

5.7. Other work that will not necessarily inform the annual opinion includes:

#### **Corporate Work**

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

- Regional Collaboration

#### **Anti-Fraud and Corruption and Whistleblowing Reports**

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

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

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

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

5.11. As Accountable Body for the Cheshire and Warrington Local Enterprise Partnership, Cheshire East Council is required to undertake assurance on the use of specific funding streams administered by CWLEP, and to provide assurance to the Council's Section 151 Officer,

in support of their own reporting requirements in relation to CWLEP.

- 5.12. During the course of the year, Internal Audit may be able to undertake assurance work for other external clients, subject to being able to prioritise the delivery of the annual audit opinion for the Council.

## 6. Resource and Delivery

- 6.1. The Internal Audit Plan 2021/22 has been prepared, based on current resources, to cover the core areas of work required in order to deliver an annual audit opinion. The resources currently available are outlined in Table 1 below:

**Table 1: 2020/21 Resource compared to previous years**

<b>Audit Year</b>	<b>2021/22</b>	<b>2020/21</b>	<b>2019/20</b>
<b>Maximum Days</b>	<b>1,883</b>	1,798	2,036
<b>Unavailable Working Days</b> <i>Annual Leave, Bank Holidays, Estimated Sick Leave, Estimated Special Leave</i>	<b>351</b>	330	434
<b>Available Working Days</b>	<b>1,532</b>	1,468	1,602
<b>Non-Chargeable Sub Total</b> <i>Training, Planning, Team Management and Service Development</i>	<b>175</b>	185	285
<b>Chargeable Days</b>	<b>1,357</b>	1,283	1,317

- 6.2. There have been staffing movements during 2020/21, including the appointment of a Senior Auditor, and an

Auditor colleague has moved onto another role outside of the organisation. In addition, a Senior Auditor will be retiring in April 2021.

- 6.3. The Internal Audit Manager vacancy is being filled through an acting up arrangement by the Principal Auditor and the other Principal Auditor vacancy is being backfilled with an internal acting up arrangement.
- 6.4. In calculating the resource available for the 2020/21 plan, the Head of Audit and Risk has been included at a third of their overall availability, and assumptions have been made that a FTE Senior Auditor vacancy will be filled by late Spring along with a six month minimum temporary appointment to cover the vacant Auditor role.
- 6.5. There is a slight increase in the number of chargeable days available in comparison to previous years, and as referenced earlier, preparations to restructure the team are expected to be implemented during the 2021/22 financial year. However, the proposed resource outlined above will ensure that sufficient evidenced work can be completed during 2021/22 to inform the Annual Internal Audit Opinion.
- 6.6. The allocation of days to particular areas of the plan as shown in Table 3 is indicative. During the scoping of individual assignments, auditors will work with relevant managers to refine the risks and controls upon which assurance is required, and the allocation will be amended if appropriate.
- 6.7. A contingency figure is normally included to recognise that the plan needs to be flexible to be able to reflect the

changing risks and priorities of the Council. The plan does include a small amount of time for advice and guidance in addition to a specific contingency for reactive fraud investigation, which may be undertaken or supported by Internal Audit after appropriate risk assessment.

- 6.8. If there is an imbalance between the work plan required to deliver an annual opinion and the resources available, the Audit and Governance Committee will be informed of proposed solutions. Significant matters which jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and brought to the attention of the Corporate Leadership Team and the Audit and Governance Committee.
- 6.9. This was the case in 2020/21 as a result of audit resource being diverted to support the Covid-19 response. Audit and Governance Committee received reports setting out how this reduction in resource would be addressed and the potential difficulties in delivering the annual audit opinion in September 2020 and January 2021 respectively.
- 6.10. In further defining the audit plan for delivery, areas of work may be highlighted which the Internal Audit function is not currently sufficiently staffed/skilled to provide assurance on, for example, specialist ICT audits. In these cases, there will be a need to consider procuring external resource to provide the necessary assurance.

- 6.11. Internal Audit's key priority will always be to deliver the assurance programme of work in order to provide the Council with an informed annual audit opinion.

## **7. Progress Reporting**

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

## **8. Quality Assurance and Improvement**

- 8.1. Internal Audit undertakes quality assurance and improvement activity to support all aspects of its service delivery. This includes evaluation of Internal Audit's compliance with the PSIAS, reviewing compliance with internal auditor's application of the Code of Ethics, and an assessment of the efficiency and effectiveness of Internal Audit, identifying opportunities for improvement.
- 8.2. The outcomes of this activity are reported to the Corporate Leadership Team and the Audit and Governance Committee, including results of ongoing

internal assessments and external assessments conducted at least every five years.

- 8.3. The external assessment against PSIAS was carried out under the peer review arrangement with the North West Chief Audit Executive Group and reported to the Audit and Governance Committee in September 2018.

### Performance Indicators

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

**Table 2: Internal Audit Performance Indicators**

Performance Indicator	Initial 2021/22 Target	2020/21 Actual to date	2019/20 Actual	2018/19 Actual
Percentage of Audits completed to user's satisfaction	95%	N/A	97%	97%
Percentage of significant recommendations agreed	95%	N/A	99%	98%
Productive Time (Chargeable Days)	85%	N/A	80%	82%

Performance Indicator	Initial 2021/22 Target	2020/21 Actual to date	2019/20 Actual	2018/19 Actual
Draft report produced promptly (per Client Satisfaction Form)	95%	N/A	95%	96%
Percentage of agreed audit recommendations implemented	90%	N/A	100%	91%
Percentage of agreed audit recommendations implemented within agreed timescale	75%	N/A	75%	81%

- 8.5. It has not been possible to measure the agreed performance indicators for 2020/21 at the time of writing this report as insufficient assurance reports have been finalised to date. This will be remedied during Quarter 4 and reported in the Annual Internal Audit Report.
- 8.6. It is also pleasing to report that Internal Audit has received positive feedback from colleagues across the authority on the consultancy and advice work which has been undertaken in 20/21 as part of the Covid-19 response

- 8.7. Targets for 2021/22 will be confirmed following assessment of actual performance in 2020/21.

### **Benchmarking**

- 8.8. Benchmarking can be a useful tool to help drive improvements and deliver value for money. The cost of formal benchmarking exercises is weighed up against the outcomes they provide. Informal benchmarking exercises are undertaken via the North West Chief Audit Executive Group, and further opportunities will be explored during 2021/22.

### **Collaboration**

- 8.9. The Head of Audit and Risk continues to participate in the North West Chief Audit Executive Group, which meets regularly and acts as a discussion group on various local and national developments affecting Internal Audit, Corporate Governance, Risk Management and Counter Fraud.
- 8.10. The group also has a number of sub groups, including Schools, Fraud and Contract Management which are attended and supported by members of the Internal Audit team. These are extremely useful for sharing best practice and learning from colleagues' experiences.
- 8.11. Where practical and beneficial, audit work may be undertaken with other partner authorities. The benefits of participation should be to increase the level of assurance available for all partners, to develop strong

working relationships and to provide positive learning experiences. Careful consideration is given to the practicalities of undertaking fieldwork and the reporting of findings as part of developing the scope of each engagement.

- 8.12. Internal Audit work around the implementation of the ERP system (B4B/Unit4) will be undertaken with Cheshire West and Chester Council's Internal Audit team during 2021/22.

### **Service Priorities**

- 8.13. During 2021/22 the Internal Audit team will look to develop and embed the use of computer aided audit techniques; this will allow efficient testing of greater populations of data to be undertaken more regularly, thus improving the level of assurance we are able to provide.
- 8.14. Working practices will be reviewed following the implementation of the upgraded audit management software to ensure the user experience is improved, and to achieve consistent and effective use of the system. This will improve the quality of performance reporting to support monitoring of actions by senior management.

**Table 3: Summary Internal Audit Plan 2021/22 including Q1/Q2 Priorities**

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Strategic Risks and Corporate Priorities</i>	Context	2020/21 Planned Audit Days	2020/21 Planned %
<b>Chargeable Days</b>			<b>1,357</b>	
<b>Less: Corporate Work</b>			<b>164</b>	
<i>Includes:</i> <ul style="list-style-type: none"> <li>• Corporate Requirements: Corporate Management Duties, Performance Development Review Process.</li> <li>• Corporate Groups and Assurance: Annual Governance Statement, Assurance Framework development</li> <li>• Audit and Governance Committee: Reports taken on behalf of other areas of the Council, Committee Administration, Work Plan Development, Member Liaison, Training and Development.</li> </ul>		Activities which the Internal Audit function are required to participate in corporately or have direct responsibility for providing.		
<b>Available Audit Days</b>			<b>1,193</b>	
<b>Corporate Governance and Risk</b>			<b>119</b>	<b>10</b>
<i>Includes:</i> <ul style="list-style-type: none"> <li>• Audit and Governance Committee: Internal Audit reports to Committee.</li> <li>• Corporate Groups – Corporate Assurance Group, Information Governance Group</li> <li>• External Audit - Mazars Liaison</li> <li>• Regional Collaboration - Working with regional internal audit partners</li> </ul>	<ul style="list-style-type: none"> <li>• CP1: An open and enabling organisation</li> </ul>	Statutory requirements Work supporting the overall provision of assurance and the annual internal audit opinion.		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Strategic Risks and Corporate Priorities</i>	<b>Context</b>	<b>2020/21 Planned Audit Days</b>	<b>2020/21 Planned %</b>
<ul style="list-style-type: none"> <li>Reviewing corporate and operational risk management arrangements</li> </ul>				
<b>Anti-Fraud and Corruption - Proactive Reviews</b>			<b>48</b>	<b>4</b>
<i>Q1/Q2 Priorities:</i> National Fraud Initiative	<ul style="list-style-type: none"> <li>SR3: Financial Resilience</li> <li>CP1: An open and enabling organisation</li> </ul>	Statutory requirement – NFI/Responding to fraud trends/Awareness raising.		
<b>Anti-Fraud and Corruption - Reactive Investigations</b>			<b>48</b>	<b>4</b>
Specific contingency for reactive investigations in response to demand.	<ul style="list-style-type: none"> <li>CP1: An open and enabling organisation</li> </ul>	Undertaken/supported as necessary after appropriate risk assessment.		
<b>Key Financial Systems</b>			<b>298</b>	<b>25</b>
<i>Q1/Q2 Priorities:</i> ERP Replacement (B4B) <i>(Joint with Cheshire West and Chester)</i>  <i>Potential Q3/Q4 work:</i> Other key financial systems such as Council tax, NDR, Benefits	<ul style="list-style-type: none"> <li>SR3: Financial Resilience</li> <li>CP1: An open and enabling organisation</li> </ul>	Provision of assurance to S151 Officer on identified high risk areas.  Pre implementation assurance re B4B go live 2.  Post implementation assurance re B4B go live 1 and 2  Review of new arrangements and follow up of previous recommendations.		

Audit Theme/Area <i>Identified Key Areas</i>	Drivers <i>Strategic Risks and Corporate Priorities</i>	Context	2020/21 Planned Audit Days	2020/21 Planned %
<b>Corporate Core and Cross Service</b>			<b>179</b>	<b>15</b>
<p><i>Q1/Q2 Priorities</i> Covid-19 arrangements:</p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Grants</li> <li>• Contracts</li> </ul> <p>LEP (S151) Assurance <i>Potential Q3/Q4 work:</i> Implementation of the Committee System and impact on decision making</p> <p>Declarations of Interest</p>	<ul style="list-style-type: none"> <li>• SR1: Increased Demand for People Services</li> <li>• SR3: Financial Resilience</li> <li>• SR4: Information Security and Cyber Threat</li> <li>• SR5: Business Continuity</li> <li>• SR6: Capacity and Demand – Corporate Enablers</li> <li>• SR8: Decision Making</li> <li>• SR11: Pandemic Virus</li> <li>• CP1: An open and enabling organisation</li> <li>• CP2: A council which empowers and cares about people</li> <li>• CP3: A thriving and sustainable place</li> </ul>	<p>Key Corporate and Cross service risks.</p> <p>Provision of assurance on the Council’s internal control and governance arrangements in relation to the Council’s wide-ranging response to the Covid-19 pandemic</p>		
<b>People</b>			<b>179</b>	<b>15</b>
<p><i>Q1/Q2 Priorities:</i> Adult Safeguarding</p>	<ul style="list-style-type: none"> <li>• SR1: Increased Demand for People Services</li> </ul>	<p>Key Corporate and Cross service risks.</p>		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Strategic Risks and Corporate Priorities</i>	<b>Context</b>	<b>2020/21 Planned Audit Days</b>	<b>2020/21 Planned %</b>
Management of Commissioned Services  Deprivation of Liberty Safeguards  <i>Potential Q3/Q4 work:</i> Schools Financial Value Standard  Fostering	<ul style="list-style-type: none"> <li>• SR2: NHS Funding Pressure</li> <li>• SR9: Capital Projects</li> <li>• SR12: Fragility and failure in the social care market</li> <li>• CP2: A council which empowers and cares about people</li> </ul>	Outcome from reviewing key departmental and service risk areas; arrangements for key service delivery areas, reviewing performance management and the achievement of outcomes.  Provision of assurance relating to specific service areas, including arrangements for key service delivery areas and assurance on management and delivery of key projects.		
<b>Place</b>			<b>95</b>	<b>8</b>
<i>Q1/Q2 priorities:</i> Place Assurance Framework  ASDV Governance  Section 106/Community Infrastructure Levy  <i>Potential Q3/Q4 work:</i> Highways  Capital Projects	<ul style="list-style-type: none"> <li>• SR7: EU Transition</li> <li>• SR9: Capital Projects</li> <li>• SR10: Infrastructure Investment</li> <li>• SR14: Climate Change</li> <li>• SR16: Council Funding/Economic Risk</li> <li>• CP3: A thriving and sustainable place</li> </ul>	Outcome from reviewing key departmental and service risk areas.  Assurance on arrangements for key service delivery areas and reviewing performance management in front line service area.		

<b>Audit Theme/Area</b> <i>Identified Key Areas</i>	<b>Drivers</b> <i>Strategic Risks and Corporate Priorities</i>	<b>Context</b>	<b>2020/21 Planned Audit Days</b>	<b>2020/21 Planned %</b>
<b>Providing Assurance to External Organisations</b>			<b>24</b>	<b>2</b>
<i>Includes:</i> PATROL <i>Other organisations may request assistance in year, subject to available resource</i>	<ul style="list-style-type: none"> <li>Host Authority arrangement</li> </ul>	Provide assurance in agreed format, similar to former Small Bodies Annual Return		
<b>Advice and Guidance</b>			<b>84</b>	<b>7</b>
<i>Includes:</i> Provision of ad-hoc advice and guidance to services	<ul style="list-style-type: none"> <li>CP1: An open and enabling organisation</li> </ul>	Add value and improve overall governance, risk management and control processes within the organisation.		
<b>Other Chargeable Work</b>			<b>119</b>	<b>10</b>
<i>Includes:</i> Certification of grants arising in year Follow up and additional reporting on the implementation of agreed audit actions	<ul style="list-style-type: none"> <li>CP1: An open and enabling organisation</li> </ul>	Specific requests from services Follow up implementation of recommendations, including further testing or additional work where necessary.		
<b>Total Audit Days</b>			<b>1193</b>	<b>100</b>

<sup>i</sup> <http://modern.gov.cheshireeast.gov.uk/ecminutes/ieListDocuments.aspx?Cid=241&Mid=5685>

<sup>ii</sup> "The Role of the Head of Internal Audit in Public Sector Organisations", CIPFA, 2010

<sup>iii</sup> The Joint Committee of England and Wales for the Civil Enforcement of Parking and Traffic Regulations outside London.



*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Maladministration Decision Notices from Local Government and Social Care Ombudsman – November 2020 – January 2021

**Senior Officer:** David Brown – Director of Governance and Compliance

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### **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 1<sup>st</sup> November 2020 and 31<sup>st</sup> January 2021. There were 4 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 February 2021 onwards, as the Ombudsman imposes a 6-week reporting embargo. The length of the embargo was recently changed by the Ombudsman from 12 weeks (3 months) to 6 weeks. Any decisions received after 31<sup>st</sup> January 2021 will be reported at a subsequent Audit & Governance meeting.

### **2. Recommendation**

2.1. That the Committee notes the contents of this report.

### **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. The number of referrals to the Ombudsman during 2019/20 is shown in the table below for reference and for comparison to the previous financial year.

	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%

- 5.6. During the period between 1<sup>st</sup> November 2020 and 31<sup>st</sup> January 2021 the Council received four 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.

- 5.7. **Special Educational Needs Complaint 1** – The complaint was originally considered in March 2019 when the complainant raised concerns that the Council had failed to notify her of its decision not to reassess her son’s Education Health and Care Plan (EHCP) and when it changed this decision it significantly delayed issuing the EHCP at every stage of the process. As a result, the complainant felt that she was pressured into Elective Home Education for her son which in her view left him without appropriate education for a period of nine months. This caused the complainant distress and anxiety.
- 5.7.1. The Ombudsman found no fault in the Council’s actions which lead to the complainant opting for Elective Home Education. It further concluded that the Council took reasonable steps in ensuring the education provided was appropriate and provided support to both the complainant and her son during this period. However, the Ombudsman found fault as the Council failed to complete the annual review, update the EHCP and issue a finalised version within the statutory timescales. The delay caused the complainant and her family distress and put them to significant time and trouble in pursuing the delivery of suitable provision.
- 5.7.2. As a result, the Ombudsman recommended that the Council issue an apology to the complainant and payments totalling £650 in recognition of the avoidable distress caused by the faults identified. The service has completed these recommendations and have taken steps on the past 12 months to make improvements to the annual review process, including coproducing processes, guidance and documentation that is now available on the Council’s website. They have led training for schools/settings on how to use the online portal to improve the timeliness of completing documentation in line with statutory timeframes.
- 5.7.3. The service has taken steps to improve the monitoring of individual cases by the introduction of a live tracking system, with weekly meetings to ensure clear management oversight of all cases.
- 5.7.4. **Special Educational Needs Complaint 2** – The complainant raised concerns in November 2019 that the Council had failed to issue a draft EHCP for her son, as ordered by the SEND Tribunal. This meant her son had lost out on educational support he would have been entitled to. She also complained that the Council has not made reasonable adjustments in light of her dyslexia, which has caused delay and frustration.
- 5.7.5. The Ombudsman concluded that the Council was at fault as it had failed to issue the ECHP within the statutory timescale. However, it was satisfied that the child was receiving support as he had the benefit of a school SEND support plan throughout this period and later, when change of school took place which helped to meet his support needs. Nevertheless, the lack of a plan

meant that the Council and the new school tended to be reactive to the child's needs and it also led to a delay in the child receiving OT treatment sessions which he was entitled to. The Ombudsman also concluded that, although the Council has made reasonable adjustments in light of the complainant's disabilities, it has not always done so in a timely manner. This added to the delays and frustration caused, which is fault.

- 5.7.6. The Ombudsman recommended the Council apologise to the complainant and that additional payments totalling £400 be issued, in recognition of the frustration and injustice caused. It also recommended the Council completes a review of its procedures to ensure that staff are aware of their obligations under the Equality Act 2010 when considering whether adjustments to the way they communicate with service users are needed and that these be recorded appropriately.
- 5.7.7. The required actions set out by the Ombudsman have since been completed. Furthermore, over that last 18 months the service has also had significant investment and has undergone a restructure, with the appointment of SEND Locality Managers, SEND Keyworkers, SEND Plan Writers and Business Support staff. This has ensured a stable workforce since January 2020, although there will always be some turnover in staffing. The service reports that there is now a full complement of SEND Team staff and is committed to improve the service they provide to parents/carers, children and young people in receipt of their service.
- 5.7.8. Steps have also been taken to improve the monitoring of individual cases with the introduction of a live tracking system, with weekly managers meetings to ensure clear management oversight of all cases including an Interim SEND Tribunal Manager, to provide key leadership in Tribunal case management. There has also been an introduction of a tribunal tracking system, to ensure that all actions, themes, and learning are monitored; to ensure resolution, timeliness, learning and development.
- 5.7.9. Also, the service has recently launched the first phase of the wider SEND training and development programme, which focuses on understanding SEND and positive communication and relationships. Throughout this training many aspects are covered and specifically discusses the use of reasonable adjustments.
- 5.8. **Community Enforcement complaint** – The complaint was originally considered in March 2019 when the complainant made contact with the Council following the uplift of his vehicles which were deemed to have been abandoned. He complained that the Council had incorrectly uplifted his vehicles as they had not been abandoned and this led to one of them being destroyed without his agreement.

- 5.8.1. The Ombudsman found no fault with the Council's assessment that both vehicles qualified as abandoned noting that the vehicles had been without an MOT since 2013 and 2017 and where parked on the public highway. However, the Ombudsman found fault as the Council was unable to confirm to the Police that it had removed the vehicles. This caused the complainant uncertainty as to the location of his vehicles. Furthermore, despite agreeing a date by which the complainant could collect one of the vehicles (Car A) and inspect the contents of the other (Car B), Car B was incorrectly disposed of prior to this agreed date. The Ombudsman concluded that this error was fault but acknowledged that the Council had already offered a suitable remedy for this error when it originally considered the complaint.
- 5.8.2. The Ombudsman recommended that the Council apologise and that it issues the payment of £100 it had originally offered in recognition of the lost opportunity to inspect the belongings within Car B. The service has actioned and completed these recommendations. The service has also implemented a new share point system with contact centre staff which allows them to view a list of vehicles that are currently in storage which is updated on a regular basis. Furthermore, a single point of contact has been assigned with the 3<sup>rd</sup> party company responsible for the removal, storage, release and disposal of abandoned vehicles which now includes extra checks.
- 5.9. **Cheshire East Consultation Service (ChECS) Complaint** – The Complaint was originally considered in February 2020 and was in relation to the Council not informing the complainant of an incident involving the complainant's child in 2018 whilst in the care of the other parent.
- 5.9.1. The Ombudsman concluded that the Council was at fault for failing to communicate appropriately in response to the allegations made by the complainant and the incident involving the child. However, the Ombudsman found no evidence of significant injustice and that the apology issued by the Council through its complaints process was an appropriate remedy. As a result, the Ombudsman made no recommendation as it was satisfied with the action already taken by the Council.
- 5.9.2. Nevertheless, the service has since issued reminders to the relevant staff of the importance of prompt communication with the appropriate parties involved to avoid similar instances from occurring and reiterated what is expected in every contact made with ChECS.

## **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 £1150.

### **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

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

November 2020 – January 2021

Service	Summary and Ombudsman's Final Decision	Agreed Action	Link to LGSCO Report	Action Taken	Measures Implemented	Lessons Learnt
<p style="text-align: center;">Special Educational Needs Complaint 1</p>	<p>Mrs C complained about delay by the Council in issuing her son's Education Health Care Plan following a review and reassessment.</p> <p>Mrs C also says that the Council has failed to acknowledge that she was forced into Elective Home Education. We find the Council failed to, complete an annual review of the Plan in 2018, inform Mrs C of its reassessment decision in a timely manner and there was a significant delay in issuing a final Plan.</p> <p>We have found no further fault by the Council.</p>	<p>Apologise to Mrs C for the faults I have identified and the injustice this has caused.</p> <p>Pay £150 for the failure to complete the annual review in June 2018 and the uncertainty this caused.</p> <p>Pay £100 for the delay in issuing a reassessment decision letter.</p> <p>Pay £400 for the delay in issuing the final EHCP and the distress and uncertainty this cause.</p>	<p>Not yet published by the LGSCO</p>	<p>Apology letter and payments have been issued.</p>	<ul style="list-style-type: none"> <li>• Increased permanent SEND Team capacity, with increased management oversight of staff, and a locality model way of working.</li> <li>The process of reviewing and maintaining EHCPs has been improved within the last twelve months;</li> <li>•The appointment of an interim Annual Review Team, to provide an increase in capacity with processing annual reviews.</li> <li>•Annual review timeliness is supported by a new annual review tracking system which is reviewed weekly.</li> </ul>	<ul style="list-style-type: none"> <li>•Ensure that EHCP's are reviewed, amended and progressed in a thorough and timely manner, in line with statutory and local guidance.</li> <li>•Ensure that EHC needs assessments/ reassessments are carried out in a thorough and timely manner, in line with statutory and local guidance.</li> <li>•Ensure regular and joined up monitoring of SEND and EHE cases, with management oversight, and input from the Attendance and Out of School Team.</li> </ul>

					<ul style="list-style-type: none"> <li>• Settings have undertaken training on using the online portal, which has helped to speed up the annual review process.</li> </ul>	
Special Educational Needs Complaint 2	<p>Mrs X complained about the Council's delay in issuing an Education, Health and Care plan for her son and says he missed out on support as a result. She also complained the Council had failed to make reasonable adjustments for her dyslexia, which caused her frustration and added to the delays.</p> <p>The Council was at fault for a delay in issuing the plan and a failure to make reasonable adjustments in a timely way in view of Mrs X's disabilities. The Council should apologise and make a payment to Mrs X for the injustice caused.</p>	<p>Apologise to Mrs X for the delay in issuing a final EHC plan for S, and for not making reasonable adjustments in a timely way in light of her disability</p> <p>Pay £500 for the frustration caused, and the additional time and trouble she was put to. Pay £100, for the benefit of the child, to remedy the injustice to him caused by the delay in receiving the OT treatment sessions set out in the EHC plan;</p> <p>The Council has already paid £200 for the delay and this can be offset against the sum recommended so it only needs to pay a further £400.</p> <p>The Council will, within three months of the date of the final decision, review its processes to ensure:</p> <p>Staff understand the importance of considering whether adjustments to the way it communicates with service users are needed to meet its</p>	<p><a href="https://www.lgo.org.uk/decisions/education/special-educational-needs/19-014-516">https://www.lgo.org.uk/decisions/education/special-educational-needs/19-014-516</a></p>	<p>Apology letter and payment has been issued.</p> <p>Policies and procedures have been reviewed.</p>	<ul style="list-style-type: none"> <li>• Training and Development programme has been launched, which specifically addresses the understanding of obligations under the Equality Act 2010 and how reasonable adjustments agreed are recorded on internal systems so all relevant staff are aware of them.</li> <li>• Further training has also been introduced which includes: parental perspectives, EHCPs and the SEND Code of Practice, complaints and Tribunals, amongst other subjects.</li> <li>• There has been an introduction of a tribunal tracking system, to ensure</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that there is clear leadership for Tribunal cases.</li> <li>• Ensure that there is a regular and joined up approach to each Tribunal case.</li> <li>• Ensure that there is tracking and monitoring for Tribunal cases, including actions and timeliness.</li> <li>• Ensure that there is learning and development taken from each Tribunal case.</li> <li>• Ensure that reasonable adjustments are considered, acted upon, recorded and shared in a timely manner.</li> </ul>

		obligations under the Equality Act 2010; and ensure that reasonable adjustments agreed are properly recorded so all relevant staff are aware of them.			that all actions, themes and learning are tracked and monitored; to ensure resolution, timeliness, learning and development.	• Ensure regular, person-centred and transparent communication with families
Community Enforcement Complaint	<p>Mr X complained the Council took two of his cars it thought he had abandoned. Mr X says he managed to collect one car from the Council but it had already destroyed the second car.</p> <p>The Council has acknowledged it should not have destroyed the second car before Mr X had a chance to review the contents. The Council offered £100 for the injustice of the lost opportunity to collect the second car and items inside.</p> <p>The Ombudsman considers this offer is suitable to reflect the Council's fault and the injustice caused.</p>	<p>The Council will within one month:</p> <p>Issue an apology in writing; and Pay £100 to reflect the lost opportunity to inspect his possessions contained within one of his vehicles.</p>	<a href="https://www.lgo.org.uk/decisions/transport-and-highways/other/19-019-737">https://www.lgo.org.uk/decisions/transport-and-highways/other/19-019-737</a>	Apology letter and payment has been issued.	<p>Sharepoint site set up with the Council's contact centre, allowing them to view vehicles that have been removed by the authority.</p> <p>Improved communication with 3rd party company responsible for removal and storage/destruction of vehicles.</p>	Communication between Community Enforcement team, contact centre and 3rd party company required improvements.
Cheshire East Consultation Service (ChECS) Complaint	The complainant raised concerns that the Council failed to properly investigate concerns and failed communicate appropriately throughout the investigation.	No recommendations were made as the Ombudsman concluded that the apology already issued by the Council was an appropriate remedy.	Not yet published by the LGSCO	Reminder issued to staff.	Reminder issued to staff to ensure 'expectations' of any contact made with ChECS are properly managed.	All parties with Parental Responsibility should be spoken to following contact being made.

	<p>The Council is at fault for failing to inform the complainant about the incident and provide timely updates the concerns raised.</p> <p>The Council has apologised for this, which in our view is an appropriate remedy. We have seen no further evidence of fault by the Council.</p>					
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*Working for a brighter future together*

## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Committee Work Plan

**Senior Officer:** David Brown, Director of Governance and Compliance

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### **1. Report Summary**

- 1.1. This report presents a draft Work Plan for 2021/22 (Appendix A) to the Committee for approval.

### **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. Following the publication of the Redmond Review, MHCLG have confirmed that subject to consultation in the new year, the department intends to amend regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September, for

a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). At the end of this period they will review whether there is a continued need to have an extended deadline.

- 5.2. In recognition of current capacity and resource demands the publication of Cheshire East Council's audited accounts for 2020/21 are likely to be available for the Committee to approve at the end of November 2021. This is in-line with the process for the 2019/20 accounts. Discussion has taken place with the Council's External Auditors, who have agreed this is also the most appropriate approach in 2021. This date is reflected in the Council's work plan. Deadlines will be reviewed for the 2021/22 accounts in line with any new guidance.
- 5.3. 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.
- 5.4. 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.
- 5.5. 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.
- 5.6. The Work Plan will be re-submitted to the Committee for further development and approval at each subsequent meeting.
- 5.7. In order to help with their deliberations, Members are asked to consider the following:
  - 5.7.1. 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.
  - 5.7.2. that the Audit and Governance Committee should operate at a strategic level with matters of operational detail resolved by service managers.
  - 5.7.3. 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.

## **6. Implications of the Recommendations**

### **6.1. Legal Implications**

6.1.1. The Work Plan for 2021/22 complies with the requirements of the Accounts and Audit Regulations 2015. The Committee is advised that for the publication of the 2020/21 accounts, an approach has been agreed with the Council's external auditors to manage risks recognised around capacity and resource.

### **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 proposed Work Plan was prepared following discussion with key officers who regularly provide updates to the Audit and Governance Committee. The proposed Work Plan has also been discussed with the Committee Chair and Vice Chair and was considered by the Corporate Leadership Team.

**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: David Brown

Job Title: Director of Governance and Compliance Services.

Email: [david.brown@cheshireeast.gov.uk](mailto:david.brown@cheshireeast.gov.uk)

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
<b>May 2021- Date TBC</b>			
Committee Terms of Reference	For Members' information the Committee's terms of reference, as set out in the Constitution.	All	All
External Audit Progress and Update Report (Mazars)	To consider an update report from Mazars in delivering their responsibilities as external auditors.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
Work Plan	Forward looking programme of meetings and agenda items for 2021/22 to ensure comprehensive coverage of the Committee's responsibilities.	All	All
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.
<b>July 2021- Date TBC</b>			
External Audit Progress and Update Report (Mazars)	To consider an update report from Mazars in delivering their responsibilities as external auditors.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
Internal Audit and Counter Fraud Annual Report (2020/21)	Annual opinion on the overall adequacy and effectiveness of the Council's control environment	111	To consider the Head of Internal Audit's annual report: a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
			b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the committee in reviewing the Annual Governance Statement
Annual Monitoring Officer Report 2020/21	Annual Report of the Monitoring Officer 2020/21 including a review of the Council's whistleblowing policy and referrals during 2020/21	110	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Annual Information Governance Update 2020/21	This report provides an update on the Council's Information Governance arrangements during 2020/21.	93	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Annual Risk Management Report 2020/21	Annual report on the effectiveness of risk management arrangements in the Council during 2020/21.	97	To monitor the effective development and operation of risk management in the council.
Work Plan 2021/22	Forward looking programme of meetings and agenda items for 2021/22 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
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.
<b>September 2021 – Date TBC</b>			

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
External Audit Progress and Update Report (Mazars)	To consider an update report from Mazars in delivering their responsibilities as external auditors.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
Audit and Governance Committee Annual Report 2021/22	Annual Report of the Chair of the Audit and Governance Committee for consideration and approval by Committee ahead of presentation to Council.	125	To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.
Draft Pre-Audit Statement of Accounts 2020/21	<p>This item introduces the 2020/21 pre-audit statement of accounts to the Committee.</p> <p>This starts the public inspection period and provides members with detail on the next steps to complete the approval of the accounts</p>	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.
Draft Annual Governance Statement 2020/21	This report introduces the draft 2020/21 Annual Governance Statement to the Committee for consideration and comment	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.
Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members	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).
Risk Management Update	This report will update the Committee on Risk Management	97	To monitor the effective development and operation of risk management in the council.

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
	and Business Continuity activity in the Council.		
Referrals to the Local Government and Social Care Ombudsmen 2020/21	The report will provide a summary of the key issues from the annual report received by the LGO.	93	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Work Plan 2021/22	Forward looking programme of meetings and agenda items for 2021/22 to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
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.
<b>November 2021- Date TBC</b>			
Annual Audit Letter 2020/21 (Mazars)	Summary of the External Audit findings from the 2020/21 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.
Certification Report	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2020/21 claims and returns.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
Internal Audit 2021/22 Plan Progress Update	Progress report against the Internal Audit Plan 2021/22	110	To consider reports from the Head of Internal Audit on internal audit's performance during the year, including the

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
			<p>performance of external providers of internal audit services.</p> <p>These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</p>
Annual Statement of Accounts 2021/22	Approval of the Audited Statement of Accounts for 2021/22	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.
Annual Governance Statement 2020/21	Approval of the Annual Governance Statement 2020/21	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.
Work Plan 2021/22	Forward looking programme of meetings and agenda items for 2021/22 to ensure comprehensive	ALL	ALL

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
	coverage of the Committee's responsibilities.		
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.
<b>March 2022 – Date TBC</b>			
External Audit Progress and Update Report (Mazars)	To receive an update from the Council's External Auditors in relation to the 2020/21- external audit report and other issues.	118	To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
Members Code of Conduct: Standards Report	To note the numbers and outcomes of complaints made under the Code of Conduct for Members .	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).
Annual Governance Statement - Progress Update	Update on actions to improve governance arrangements and respond to emerging issues identified in the 2020/21 Annual Governance Statement. Proposed process for the production of the 2021/22 Annual Governance Statement.	93	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
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.

## Work Plan 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
Internal Audit Plan 2021/22: Progress Report	To consider a summary of Internal Audit Work undertaken between September 2021 and December 2021.	110	To consider reports from the Head of Internal Audit's performance during the year.
Work Plan 2021/22 and 2022/23	Forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities.	ALL	ALL
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 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
<b>Standing Item – for inclusion on the meeting agenda if required.</b>			
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"> <li>• if there have been any upheld complaints to be reported on to the next agenda</li> <li>• the appropriate part of the agenda for the report to be considered</li> <li>• 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.</li> </ul>	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 2021/22

		Extract from Committee Terms of Reference	
Agenda Item	Description	No	Detail
<b>Unscheduled Items</b>			
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).
Highways; allocation and use of funding	<p>Requested by Members; a report on the allocation and use of Highways funding.</p> <p><i>This will be reviewed following the publication of the Scrutiny Task and Finish Flooding report.</i></p>	96	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council
Partnerships Governance		102	To review the governance and assurance arrangements for significant partnerships or collaborations.

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## **Audit & Governance Committee**

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**Date of Meeting:** 11 March 2021

**Report Title:** Waivers and Non-Adherences (WARNs)

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

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### **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 1<sup>st</sup> October 2020 and the 31<sup>st</sup> January 2021.
- 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 March Audit and Governance Committee is 3 (consisting of 2 waivers and 1 non adherence).
- 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 3 further WARNs approved between 1<sup>st</sup> October 2020 and 31<sup>st</sup> January 2021 (25 in total to date in 2020/21).
- 2.2. Notes the ongoing implementation of the Contract Lifecycle Management System (CLMS) to support all aspects of commissioning, procurement and contract management referred to at para 5.3.

### **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 1<sup>st</sup> October 2020 to the 31<sup>st</sup> January 2021 (3 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 / 2021 due to the coronavirus outbreak**

<b>WARNs</b>	<b>2016-2017</b>	<b>2017- 2018</b>	<b>2018-2019</b>	<b>2019 - 2020</b>	<b>Apr 2020- Sept 2020</b>
Non-Adherence	33	10	5	1	3
Waiver	40	20	16	17	22
<b>Grand Total</b>	<b>73</b>	<b>30</b>	<b>21</b>	<b>18</b>	<b>25</b>

5.2 The number of WARNs have increased during 2020 / 2021 due to the coronavirus outbreak. Currently 11 of the 25 WARNs completed are due to the outbreak and the Council needing to respond quickly to ensure the supply of goods and service, meaning there are 14 business as usual WARNs.

For the same period in 2019 / 2020 (April – January 2019 / 2020) the Council reported 15 WARNs, so if we remove the COVID WARNs then the numbers are comparable.

5.3 The council has recently procured a cloud-based Contract Lifecycle Management System (CLMS) to support all aspects of commissioning,

procurement and contract management going forward. The system will support the management of 600 plus contracts the council has with external providers.

The system includes four modules, contract management, supplier relationship management, spend analysis and pipeline. The go live date for the contract management module will be early in the new financial year with the other modules to follow shortly after.

The system will

- automate the contract life cycle process
- increase visibility through one central digital repository
- provide audit trails that give access to the whole contract history
- automatic alert notifications to increase contract renewal awareness
- ensure contract compliance and accountability – with all documents, KPI's and savings stored centrally
- Improved document management
- Linking spend to contracts via links with Unit 4 ERP

## **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.

### **6.2. 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. The financial impacts on the Council are regularly reported to members.

**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](mailto: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.