CHESHIRE EAST COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

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Date of Meeting: 25 January 2011
Report of: Head of Internal Audit & Compliance and Borough Solicitor
Subject/Title: Annual Governance Statement 2009/10 Action Plan
                             Update

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1.0 Report Summary

1.1 The purpose of the report is to update the Audit and Governance Committee on progress against the Annual Governance Statement (AGS) 2009/10 Action Plan.

2.0 Decision Requested

2.1 That the Committee note the progress against the Action Plan in Appendix 1.

3.0 Reasons for Recommendations

3.1 The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses.

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Climate change
                                                - Health

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Borough Treasurer)

7.1 No specific financial implications.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 No specific legal implications.

9.0   Risk Management

9.1   Failure to consider and monitor the AGS Action Plan could result in agreed improvements to the Council's governance arrangements not being implemented.

10.0   Background and Options

10.1   The Audit and Governance Committee approved the Annual Governance Statement 2009/10 on 29 June 2010. It was reported at that meeting that "regular updates on progress on the AGS Action Plan will be brought to this Committee during 2010/11".

11.0   Access to Information

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

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No.	Area	Action	Responsibility	Target date	Progress update
1	**Corporate and Financial Planning**				
	The Sustainable Community Strategy (SCS) sets out a collective vision for Cheshire East and the priority actions which need to be addressed over the next 15 years to achieve that vision. Following a major consultation process, the new SCS is due to be approved in July 2010. The Council's vision and purpose is brought together and communicated via the Council's Corporate Plan. This plan aims to ensure Cheshire East delivers it's obligations and wider community leadership role. There is an interim Corporate Plan. A new Corporate Plan is due to be approved in July 2010. There are opportunities to further align corporate	Aligning Corporate and Service Plans to produce a comprehensive Delivery Plan linked to the Performance Management Framework. Review and improve the Business and Financial Planning Framework for 2010/11.	Head of Policy & Performance/Borough Treasurer & Head of Assets/Corporate Management Team (CMT)	July 2010	On 22nd July 2010 the Sustainable Community Strategy and Corporate Plan was approved. Eleven Service Plans were produced by end of August 2010 (and are available online). The Business planning framework for 2011-2014 has been refreshed and approved by Cabinet on 19th July 2010. The revised framework, presented jointly by the Borough Treasurer and Head of Assets, and the Head of Policy & Performance was developed in the light of feedback on the 2010/2013 Business Planning process, and specifically outlined the links between community, corporate, service and financial planning. In addition,

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	priorities to financial plans.				regular weekly Policy & Performance and Finance meetings have been taking place to ensure a co-ordinated approach to efficiency and budget setting between the two departments.
2	**Financial Management**				
	The Council set an ambitious budget for 2009/10, with the aim of maximising the opportunities offered by local government reorganisation to drive out efficiencies, through rationalisation of service delivery and streamlining of corporate overheads.	Service budgets will be reviewed and realigned in the light of the 2009/10 out-turn experience and the on-going staff appointments process.	Borough Treasurer & Head of Assets/ Corporate Management Team	On-going	Service budgets continue to be reviewed and realigned in the light of emerging outturn issues, service restructuring and transformation and grant funding changes; specifically those introduced following the change of government in June 2010.
	Whilst the overall financial out-turn has been broadly in line with forecasts, a number of challenges have been faced, in monitoring progress against the financial targets set, including:- ▪ Volatility in both the cost	Processes for the allocation and apportionment of corporate overheads and cross-cutting savings will be reviewed and refined.	Borough Treasurer & Head of Assets/ Corporate Management Team	On-going	In accordance with the agreement reached by CMT in June 2009, significant progress has been made in centralising the management of corporate costs e.g. insurances, desktop IT, building and facilities management, thereby

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	and budget base, as adjustments have been made to reflect on-going restructuring, staff appointments and apportionment of budgeted savings. ▪ Complexities caused by shared service arrangements, and delays in processing recharges. ▪ Technical difficulties relating to system cut-over and migration of legacy data, which have prevented consolidated reporting from a single database until the final quarter of the year. ▪ On-going compliance issues in respect of basic transaction processes, impacting both the accuracy and completeness of financial management information at a detailed level. ▪ Inexperience of budget	A standard organisational Business Management model and supporting back –office processes will be implemented to secure improvements in transactional compliance.	Borough Treasurer & Head of Assets/ Corporate Management Team	December 2010	removing the need for complex recharges, and streamlining purchasing and commissioning. A protocol for the allocation of cross cutting savings has been developed and agreed by CMT. A revised model for the allocation and apportionment of support service and corporate costs has been developed and will be used for 2011/12 budget purposes and 2010/11 account closure. A high level Business Management model was agreed by CMT in April 2010. A number of key business processes are being re-launched as part of the Oracle R12 upgrade, with associated compliance issues being addressed through improved controls, training and system and process redesign.

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	managers and accountancy staff, who have taken time to familiarise themselves with new systems and reporting tools, and to fully understand the reconfigured cost and budget position. Many of these issues are of a transitional nature, arising specifically from the process of reorganisation and creation of a new Council.	A programme of financial training for budget managers, members and finance professionals will be developed to enhance levels of financial literacy and financial management skills across the Council.	Finance Manager	September 2010	An initial module 'Understanding Local Government Finance' has been launched as part of the Corporate Training Programme 2010/11. Further modules will be developed over the next twelve months. In addition, extensive on the job training and coaching has been undertaken on an ad-hoc basis with budget managers at all levels.
	Finance Procedure Rules require all service managers to draw up local schemes of delegation, setting out the financial approval limits and responsibilities of individual officers. Managers have found it difficult to comply with requirements in this area, due to the interim nature of staffing structures and high levels of turnover.	Existing financial reporting tools will be further promoted and the development of 'dashboard' and other self-serve technologies explored as part of the Oracle R12 upgrade programme.	Finance Manager	March 2011	Phase 2 Dashboard training for all senior managers in Cheshire East is underway, including dashboard navigation and manager self-serve. The Oracle R12 upgrade is on target to go-live from the end of January 2011. This will provide a fully supported systems platform on which to develop a sustainable dashboard

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	Improvements are needed to the arrangements for the monitoring and management of sundry debt. The policy and operational frameworks inherited from previous councils require systematic review and update in the light of the Councils new Income & Funding Strategy, and the Oracle R12 upgrade, which will make available improved systems functionality, particularly in relation to debt case management.	Managers will be required to publish service schemes of delegation, in accordance with Finance Procedure Rules.	Borough Treasurer & Head of Assets/Corporate Management Team	September 2010	solution. The aim is to provide a basic financial dashboard for roll-out to managers from April 2011. The majority of local schemes of delegation have been completed and some updated, with substantial progress made in uploading them to the intranet. Just one scheme remains outstanding and this is being pursued. Further review will be required in the light of continuing rationalisation of staffing structures.
		Revised credit and debt management policies and processes will be developed and launched, as part of the Oracle R12 upgrade programme and Business Management	Borough Treasurer & Head of Assets/Corporate Management Team	March 2011	Work to revise credit and debt management policies and processes is in hand, but needs to reflect changing business requirements, particularly in respect of social care client charging, which will impact significantly the scope and scale of the debt

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		implementation.			management portfolio.
3	**Risk Management**				
	The AGS process noted that risk management arrangements are developing and areas for improvement include: ▪ embedding risk management in order that it is seen as part of the overall performance management process, ▪ regularly reviewing and reporting on the effectiveness of the whole process including insurance, health and safety, financial planning etc.	Continue to develop and embed the risk management processes already in place by: ▪ further developing and strengthening strategic and departmental risk registers. ▪ further developing and strengthening corporate and departmental risk management groups. ▪ integrating risk management into the new performance management system.	Head of Policy & Performance/Corporate Management Team	On-going	The risk management process has been refreshed and a new strategic risk process introduced including new forms to identify corporate risks. The membership and focus of the Corporate Risk Group has been reviewed (to include more front line service managers) and meets every other month; the Terms of Reference for group was agreed on 22nd October 2010. On 17th November 2010 the Audit and Governance Committee members received training on risk management, and regular updates will be provided to CMT and Cabinet. Moving forward it is expected that risk management will

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					have strong links with the performance management system. A briefing to SMT on 8th December 2010 brought together risk management and performance management processes and emphasised the need for risk management to be embedded in performance management.
4	**Partnerships & Governance**				
	The AGS process highlighted that the Councils significant partnerships are at different stages of development, and whilst more mature partnerships are underpinned by partnership agreements and robust governance frameworks, others are subject to arrangements that are being developed as the partnerships evolve.	▪ Develop governance arrangements for all partnerships. ▪ Developing and strengthening the Partnership Management Group. ▪ Introducing a Code of Practice for Partnerships in order to ensure that the Council adopts a consistent approach to the way it manages its partnerships and	Head of Policy & Performance/Corporate Management Team	On-going	The Local Strategic Partnership was formed in March 2009, and the partnership agreement was adopted by executive in September 2010. Thematic partnerships are under review and decisions will be taken in February to either continue or cease some. Local Area Partnerships have also been reviewed and a new model developed which

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		reports on performance.			outlines accountability and how meetings should be conducted. A Shared Service Administrative Agreement is in place together with protocols for HR, procurement and finance between the two Authorities.
5	**Performance & Cost Management**				
	Corporate framework of performance management is still developing. There is a Data Quality Strategy and Performance Management Strategy in place and both need wider communication and development throughout the Authority. Whole life costing is used but no overall corporate approach is yet in place. Financial and performance data are not yet aligned formally.	▪ Development of greater consistency in performance management. ▪ New performance management system. ▪ Development of corporate approach to whole life costing. ▪ Development of corporate PI set. ▪ Roll out of Data Quality Strategy.	Borough Treasurer & Head of Assets/ Head of Policy & Performance/Corporate Management Team	On-going	Comprehensive quarterly data quality performance reports are prepared. Portfolio challenges on performance will take place quarterly; one round has already taken place and has been reported to Cabinet. Performance Management and Finance are combined in one quarterly report. A new performance Management System (MAPS) has been procured and is

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					currently being rolled out with implementation due March 2011. A Data Quality Strategy is in place and has been agreed by Performance Peers Group. A review of National Indicator Set (NIS) is in progress (pending the core data set announcement due by government).
6	**Asset Management/Procurement**				
	Strategic Asset Management is still developing. There is a short term asset plan in place and a major accommodation strategy was introduced and a review has taken place along with significant refurbishment and relocation of staff during 2009/10.	Further development of strategic asset management, including: ▪ Improving performance information ▪ Developing Strategic Asset Management Plan ▪ Clarifying roles and responsibilities between Asset Management Team	Borough Treasurer & Head of Assets	On-going	The Council's first Corporate Asset Management Plan (2011-2014) was approved by Cabinet in October 2010 incorporating an action plan in line with the recommendations of CIPFA Healthcare Check (review Oct 11). Performance information will be monitored and reported through CAMP updates and Assets Business Plan. Asset Management Team is part of

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		and Finance ▪ Establishing corporate forum for the co-ordination of strategic asset management.			the Capital Asset Group and advises regularly as part of the annual capital bidding process. Terms of Reference and draft membership are in place to establish a corporate asset management group.
	A corporate framework for procurement has been developed with a Procurement Strategy and Action Plan in place.	Further development of Procurement Strategy, including: ▪ Develop clearer understanding of full contract landscape and clear visibility of 'off contract' spend ▪ Develop joint commissioning, user engagement.	Borough Treasurer & Head of Assets	On-going	The establishment of a full contracts register is on going. A Procurement Improvement Programme has been launched which includes the establishment of a contracts register. A cleansed contract register has been prepared and is currently being sent to service procurement coordinators who will have until the end of January to complete. This will give a clearer picture of the corporate contracts and

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					assist with the development of a forward procurement plan. Process changes as part of the Oracle upgrade programme will allow greater control and visibility of Off contract spend and will allow procurement the opportunity to approve/ reject non catalogue requisitions above £10,000. We have established a joint commissioning project that will trial an integrated whole system commissioning model with the Central & Eastern Cheshire Primary Care Trust from April 2011 in the areas of: Learning Disabilities; Physical Disabilities; Mental health; Older People (outside hospital); Carers supporting people; Vulnerable Adult Services; Children & Young People Services (outside hospital); Drug and Alcohol

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					(may transfer to Public Health); safeguarding Violent Abuse and Domestic Abuse; Reablement and Intermediate Care; Physical Disability & Sensory Impairment, which would run in parallel with the current transition arrangements of the GP Consortia. The Procurement Board is established and meeting bi monthly. Procurement is currently supporting activity within the transformation programme and is presently receiving targeted support from the Head of Transformation.
		Establish a Procurement Board for co-ordination and procurement activity and links to transformation programme.			