

Cheshire East Council
Annual Governance Statement 2011/12

Introduction

Cheshire East Council, like all local government bodies, is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The development of a Code of Corporate Governance, consistent with the principles and requirements of the CIPFA/SOLACE Framework *'Delivering Good Governance in Local Government'* helps to ensure proper arrangements are in place to meet that responsibility. Cheshire East Council adopted a Code of Corporate Governance in 2009 and this is subject to annual review and update where necessary.

The Council undertakes an annual review of its governance arrangements to ensure continuing compliance with best practice as set out in the Framework. This Annual Governance Statement (AGS) is that review.

It is important that the AGS is reported on both within the Authority, to the Audit Committee or other appropriate member body, and externally with the published accounts, to provide assurance that:

- governance arrangements are adequate and operating effectively in practice, or
- where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in future.

The process of preparing the governance statement itself adds value to the corporate governance and internal framework of the Council. Both officer and Member involvement in the drafting process ensures that the document is robust and reflective of the Authority's governance and internal control arrangements for 2011/12.

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Section 1 Cheshire East Council's Governance Framework

Scope of responsibility

- 1 Cheshire East Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Cheshire East Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 In discharging this overall responsibility, Cheshire East Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 3 Cheshire East Council has approved and adopted a [Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 4 This statement explains how Cheshire East Council has complied with the Code and meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.

The purpose of the Governance Framework

- 5 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheshire East Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

- 7 The governance framework has been in place at Cheshire East Council for the year ended 31 March 2012 and up to the date of approval of the annual report and statement of accounts.
- 8 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:
 - **The Authority/Constitution**
 - **The Cabinet/Other Committees**
 - **Audit & Governance Committee**
 - **Scrutiny Committees**
 - **Standards Committee**
 - **Internal Audit**
 - **External Audit and Inspection**
 - **Chief Financial Officer** (Director of Finance and Business Services)
 - **Monitoring Officer** (Borough Solicitor)
 - **Management Assurance**
 - **Performance Management**

The Authority/Constitution

- 9 The Council has formally adopted a [Constitution](#) last updated in April 2012. The Constitution Committee, with other appropriate Members, and senior Officers, monitor and review the Constitution to make sure that its aims and principles are given full effect. Changes to the Constitution are approved by full Council after consideration of the proposal by the Constitution Committee.
- 10 All Councillors meet together a number of times each year as the full [Council](#) to set the Council's major plans, policies, strategies and the budget, take decisions required by law or where the Council decides that collective decisions should be taken.

The Cabinet/Other Committees

- 11 The Council has appointed a [Cabinet](#) and a number of [committees](#) to make decisions. Many of the Council's decisions are made by the Council's Cabinet, Cabinet committees, or officers acting on its behalf. Other decisions, such as planning and licensing decisions, have to be made by committees of the Council, or officers acting on their behalf. The decision making framework has been developed in accordance with the requirements of the law.
- 12 The Cabinet meets formally at least once per month, to deal collectively with the high level operational and more strategic business, including key decisions of the Authority. Additionally, the Cabinet has adopted a scheme of delegation to the individual [Cabinet Members](#), so that they are able to take decisions as appropriate within their portfolio responsibility.

Audit & Governance Committee

- 13 The [Audit and Governance Committee](#) plays a key role in the review of the effectiveness of the governance framework by seeking assurance on the adequacy of the Council's risk management, control and governance arrangements and monitoring the AGS action plan. During 2011/12, the Chair and Vice Chair of the Committee, with the Audit Managers, assessed the effectiveness of the system of internal audit using the following checklists:
- compliance with the [Code of Practice for Internal Audit in Local Government in the United Kingdom 2006](#)
 - self-assessment - Measuring the Effectiveness of the Audit Committee. This was reported to and agreed by the [Audit and Governance Committee](#).
- 14 The Corporate Governance Group (CGG) is an officer group chaired by the Section 151 Officer, with membership including the Monitoring Officer and Head of Service representation from Finance, HR and Internal Audit. The group undertakes an on-going review of the Council's governance arrangements and identifies, collects, and challenges supporting evidence as part of the annual review to feed into the production of the AGS. It reports its findings to the Audit and Governance committee after consideration by the Corporate Management Team. CGG met five times during 2011/12.
- 15 The Audit and Governance Committee critically review the Statement of Accounts, the AGS and the supporting documentation and, in considering whether to approve the Statement, seeks to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made.

Scrutiny Committees

- 16 There have been six [Scrutiny and Overview Committees](#) operating during 2011/12; Adult Social Care, Children and Families, Corporate Scrutiny, Environment and Prosperity, Health and Wellbeing and Sustainable Communities.
- 17 The role of the Committees includes not just 'holding the Cabinet to account' but also carrying out advisory work on policy development (the 'Overview' function). Each of these Scrutiny Committees meets a minimum of six times during the year. Additional meetings may be required, to deal with unplanned business such as the "call in" of particular Cabinet decisions, ad hoc requests by the Cabinet to undertake policy development work, and specific proposals identified by non Executive Members.

Standards Committee

- 18 The [Standards Committee](#) 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) and for employees in accordance with best practice and Government guidance. The Standards Committee has formed three Sub-Committees to deal with the initial assessment of any complaints raised against Members; review of decisions whether or not to investigate; and to conduct hearings.
- 19 Between April 2011 and March 2012, the Committee has considered ten complaints in total, two against members of Cheshire East Council and eight against members of the Borough's Town and Parish Councils. Of these complaints, four have been referred for formal investigation, with no further action taken on the remaining six.
- 20 The coming into force of the Localism Act 2011 on 1 November 2011 has changed the way in which local authorities will deal with complaints. Whilst the Act will still expect Councils to promote and maintain high standards of conduct by Councillors and co-opted members and the Town and Parish Councils in its areas, there will be no requirement to appoint a Standards Committee. Council agreed at its 19 July 2012 meeting to a recommendation from Constitution Committee, which will see future Member conduct issues will be dealt with by subcommittees and panels of the Audit and Governance Committee, on an ad-hoc basis.

Internal Audit

- 21 The Council's Internal Audit Service produces and delivers against a risk-based Annual Plan, approved by the Audit and Governance Committee, in accordance with the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006'. The Head of Internal Audit (currently vacant) reports progress against the Plan and the service's individual performance targets to the Audit and Governance Committee throughout the year.
- 22 The Internal Audit Annual Report for 2011/12 was presented to the Audit & Governance Committee at its meeting on [28th June 2012](#). The report concluded with the formal Internal Audit opinion that the Council had established a satisfactory framework of risk management, control and governance. This provides adequate assurance over the Council's control environment, with control weaknesses identified during audits and/or by management addressed or being addressed.

External Audit and Inspection

- 23 During 2011/12, the Council has undergone an inspection by the Audit Commission ([Annual Audit Letter 2010/11](#)). The Council's External Auditors (The Audit Commission), annually reviews the financial aspects of corporate governance, including the work of Internal Audit. In carrying out this work the Commission seeks assurance that the systems of financial control are in place and operating effectively. This includes a review of the Council's key financial systems in order to establish that they operate soundly and that there are no fundamental breakdowns in controls that

would result in material discrepancies. Grant Thornton will become the Council's new External Auditors as from 1st September 2012.

- 24 An [OFSTED](#) inspection of the Council's Safeguarding and Looked After Children role was carried out in June/July 2011 with the subsequent report giving an 'adequate' assessment. An improvement plan was agreed by the [Children & Families Scrutiny Committee](#) in September 2011.
- 25 The [Local Government Ombudsman's Annual Review](#) for the year ended 31st March 2011 was reported to the Audit and Governance Committee in September 2011. Of the 50 enquiries which were formally investigated, the Ombudsman found that, in 95% of the cases, there was no evidence of maladministration or injustice to the complainant. In the remaining 5% of the cases, Local Settlements were reached.

Chief Financial Officer

- 26 The roles and responsibilities of the Chief Financial Officer are outlined in the Constitution, along with their appointment as the Section 151 officer.
- 27 The Chief Financial Officer attends Corporate Management Team, Cabinet and Council to provide direct input on all key decisions and is consulted on and signs off financial input to all Committee reports.

Monitoring Officer

- 28 The Borough Solicitor is formally appointed as the Monitoring Officer and their roles and responsibilities are set out in the Constitution.

Management Assurance

- 29 The [Council's Corporate Management Team](#) provides strategic advice to the Council and co-ordinates the Council's activities to ensure high standards of performance.
- 30 Formal assurance with regard to the governance framework is provided by Directors, Heads of Service and Service Managers who independently sign off on the adequacy of controls within their service areas, including joint working arrangements, via disclosure statements. Furthermore, designated officers complete Annual Governance Statement self-assessments in order to determine the extent to which the Council complies with the principles of good governance contained within its local code.

Performance Management

- 31 There is a defined performance management process beginning with the Business Plan, linked to service plans, team plans and then individual performance and

development plans. This is supported by an electronic performance management system; CorVu.

- 32 The performance reporting framework includes monthly reporting to Corporate Management Team and informal Cabinet with quarterly reporting and a quarterly challenge discussion between the Leader, Chief Executive and relevant Portfolio Holder and Director.

Section 2 Review of effectiveness

Cheshire East Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The six principles of Cheshire East Council's governance framework, as set out in the Authority's Code of Corporate Governance are outlined below, along with a brief description of arrangements and an assessment of the effectiveness of those arrangements during 2011/12.

Principle 1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision

1.1 Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users

- The Authority's Business Plan 2012-15, '[Ambition, Action, Achievement](#)' integrates financial and service planning at a corporate level, setting out priorities and targets for the next three years, linked to Cheshire East's Sustainable Community Strategy, '[Ambition for All](#)'.
- The Council's vision and Sustainable Community Strategy was subject to extensive consultation in Spring 2010 leading to approval of the Strategy in July 2010. The vision has been revisited and remains as 'Working together to improve community life'.
- Assessment criteria have been developed and applied to identify the Authority's Significant Partnerships, and a self assessment governance questionnaire has been completed by responsible officers. The findings from these questionnaires will also be used to inform the development of a Partnerships Protocol to provide further support and guidance on joint working arrangements. A Partnerships Register is being developed and alongside the Protocol will be used as the basis of an internal audit review of Partnerships governance.
- Arrangements for the publication of the annual financial statements meet statutory requirements. There is on-going dialogue with the Audit Commission to address [issues raised](#) during the audit of the [2010/11 accounts](#).
- Information on the performance of the Authority over the previous financial year is being included in the autumn 2012 edition of Cheshire East News.

1.2 Ensuring that users receive a high quality of service whether directly, or in partnership, by commissioning

- A VFM Strategy was developed for the 2012/15 Business Planning process and the Business Plan now integrates reporting on corporate priorities with the budget, so that allocation of resources and service delivery priorities are more clearly linked. Audit Commission benchmarking data was used to inform the Business Planning process planning/challenge sessions and a positive VFM opinion was given in the 2010/11 accounts.
- The CorVu performance system was implemented during 2011/12 to allow tracking and reporting on key performance data.
- The Council has a [Corporate Complaints](#) procedure, supported by a database to record and monitor complaints. Performance data on the time it takes to respond to complaints and the number of complaints escalated to the Ombudsman are reported quarterly. The Council participates in the Local Government Benchmark Group that provides mystery shopping on a half yearly basis. The [Citizen's Panel](#) provides insight into overall satisfaction with the way Council runs things, and provides more detailed insight such as on 'contacting the Council'.

1.3 Ensuring that the authority makes best use of resources and that taxpayers and service users receive excellent value for money

- A VFM Strategy is in place which incorporates the corporate approach and its relevance to services. It includes an agreed approach to benchmarking and has been endorsed by Corporate Management Team. The business planning group meets on a weekly basis to discuss process and also the input to the budget setting process around benchmarking data, corporate challenge and key financial indicators. The efficiency requirements focused on those areas that were deemed to provide least value for money.
- The Council is continuing to improve its processes and is reviewing the approach to achieving value for money. A revised VFM Strategy will accompany the Business Planning Process for 2013/2016 and consider links to the Sustainable Community Strategy. Increasing cost drivers, such as social care, continue to be a feature of the Council's Budget and further work is underway to establish the basis for these costs and the options for providing services in the future with limited funding sources.
- The intention is that understanding the options available, and their impact, in terms of capital, one off revenue expenditure and organisational capacity, set against the Council's priorities and performance targets, will enable Cabinet Members and Corporate Management Team to set a "direction". That will determine which of the options can be explored in more detail and which will need to be delayed. This work will include consideration of alternative service delivery options where appropriate. In addition, funding mechanisms are changing to give the Council an opportunity to

influence its income levels through additional business rates etc. The need to invest to maintain / grow funding levels will also be considered as part of this process.

- Cheshire East Council's financial management arrangements comply with the governance arrangements of [CIPFA's Statement on The Role of the Chief Financial Officer in Local Government \(2010\)](#).
- The Chief Financial Officer plays a key role in business planning process, providing regular updates to Cabinet and Scrutiny Committees on the financial scenario and budgetary position, including capital programme and treasury management.
- The robustness of budget estimates is reviewed by the Chief Financial Officer as part of the Business Planning process. Quarterly financial updates ensure that budget variances are identified, reported and addressed through remedial action in order to minimise any unplanned call on balances. Delivery of significant budget changes are risk assessed and tracked on a monthly basis.
- There are a number of areas e.g. Adult Social Care, ICT Shared Service where overspends have been identified and mitigating actions introduced. Further actions are ongoing and detailed in the Action Plan at Appendix 1.
- The Council has approved a [Treasury Management Policy and Strategy for 2012-15](#), however there is a need to develop Treasury Management Practice Statements which will document the processes used for business continuity purposes, elaborate upon the risk management strategies required and clarify the responsibilities for decision making.
- The Council has approved a [5 year Carbon Management Plan](#) which includes a clear baseline position and targets for improvement. There is a Programme Management Board in place chaired by a member of CMT and clear plans to deliver the priorities and actions identified.

Principle 2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

2.1 *Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function*

- The Scrutiny Chairs Group has been formally recognised in the Council's Constitution. The role of this group is to drive the work of the Overview and Scrutiny Functions, monitoring progress and workloads, as well as acting as a sounding board for matters of common interest across all overview and scrutiny committees, including new legislation and best practice.

- The Council appointed a Joint Member Working Group to investigate all available options to review governance arrangements under the Localism Act 2011. The [proposed governance option](#) agreed by Council in May 2012 continues the arrangements of the existing leader and cabinet model although with two Overview and Scrutiny Committees (instead of six) and up to nine new cross-party policy groups, aligned to the Cabinet.
- Delegated Decisions by Officers are recorded in Departmental Registers. During 2011-12 concerns were voiced by Officers regarding the content and timeliness of a number of Delegated Decisions to waive Finance and Contract Procedure Rules. A revised procedure whereby all such Delegated Decisions would go to Corporate Management Team for approval was subsequently introduced in May 2012.

2.2 *Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard*

- The Council [elected a new Leader](#), Cllr Michael Jones at the Annual Council in May 2012. New working relationships will need to be developed between the Leader and the Chief Executive.
- The Council's Chief Executive was absent from work for a significant period due to ill health before leaving the Authority on June 30th. In her absence, key duties were covered by the Strategic Directors, and approval by Council has been given to the appointment of an interim Chief Executive, should it become necessary. An interim Chief Executive has been appointed to cover the period from August 2012 for six months.
- During 2011/12, Finance and Contract Procedure Rules were [revised](#) and updated to reflect changes to the Officer Scheme of Delegation, [national best practice recommendations](#), changes to the way the Council operates and to improve alignment to other parts of the Constitution.

2.3 *Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other*

- The Council established a new [Independent Remuneration panel](#), which will recommend the annual remuneration for Members.
- In line with the requirements of the Localism Act 2011, the Council published a [Pay Policy Statement](#), outlining the Council's policy on all elements of pay and reward for Chief Officers and Deputy Chief Officers.
- Harmonisation of staff pay and conditions was achieved with effect from 1st November 2011, via a collective agreement with the Trade Unions. Officer terms and conditions are clearly set out and the full set of harmonised policies and procedures is available online to staff.

- The performance reporting framework has been developed and now covers monthly performance reports against the Service/Business plan made to informal Cabinet, quarterly reporting, quarterly challenge discussion between the Chief Executive, Leader, relevant Portfolio Holder and Director. Staff performance has been monitored against agreed objectives which link to team plans, through to the corporate priorities. A new Performance Development framework will be used in 2012/13.
- The Business Planning process is being used to demonstrate how resources will be matched against delivering the priorities outlined in “Ambition for All” and this has also been agreed by the [PACE \(Partnerships for Action in Cheshire East\) Board](#).

Principle 3 Promoting values for the authority and demonstrating values of good governance through upholding high standards of conduct and behaviour

3.1 *Ensuring Council Members and Officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance*

- Member reports are generally open to the public, unless the Borough Solicitor authorises exemption on an exceptional basis, in accordance with [Access to Information Rules](#) as described in the Constitution. Meeting agendas contain public speaking and questions. The Council has in place provisions for [petitions and e-petitions](#).
- The Localism Act 2011 requires the council to adopt a new Code of Conduct and to have in place a process for investigating alleged breaches of the Code. A new Code of Conduct and investigation procedure, recommended from Constitution Committee were approved by Council at the 17th July meeting.
- Members have received training and advice on bias and conflicts of interest, reinforced by protocols, the Code of Conduct for members and officers, and financial regulations. Departmental registers are maintained for officer conflicts and hospitality. Members register their interests, including hospitality. The Council has a [Whistle-Blowing policy](#), which is communicated to staff and available on the website and within the Constitution.
- The Employee Code of Conduct has been reviewed and updated and clearly sets out responsibilities and expectations for Officers. It was reissued to all staff with their revised statement of particulars in June 2012.

3.2 *Ensuring that organisational values are put into practice and are effective*

- The Council has recently reviewed its ASPIRE¹ values and is embarking on a programme of culture change and corporate improvements stemming from the Leadership Conferences last year.
- The Council's Business Management Review has identified 'corporate process owners', responsible for leading the development of key financial processes/systems, including dissemination of best practice and compliance. Finance Procedure Rules set out a clear framework of financial control/accountabilities and an updated version was agreed by Council in February 2012.
- The Anti-Fraud & Corruption Strategy, Confidential Reporting Procedure (Whistleblowing policy), Complaints Procedure, and Money-Laundering Policy provide the framework for identification and reporting of financial irregularities and potential control breaches. Disclosure statements from managers require the reporting of any suspected breaches of financial control/irregularity. The risk of financial loss due to unplanned expenditure arising from breaches of financial control is recognised in the corporate risk register and kept under continual review.
- The Standards Board for England was [formally abolished](#) on 21st March 2012 and Cheshire East Council's Standards Committee was abolished on 1st July, 2012. Under the Localism Act, the Council had the option to set up a 'voluntary' Standards Committee or sub-committee with delegated powers to deal with Standards issues. Council (17th July 2012) agreed that the Audit & Governance Committee will establish this sub-committee and a new Code of Conduct has been adopted.
- All officer reports to Committee follow a mandatory template which indicates how recommendations take into account relevant policy and statutory obligations.

<p>Principle 4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>
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4.1 *Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny*

- Scrutiny is supported by a dedicated team. Each Chair has briefings with individual [Portfolio Holders](#) and [Service Heads](#) which ensures that the work programmes complement corporate priorities, whilst recognising the independence of the scrutiny function. Individual work programmes items are aligned to the Business Plan.
- A sixth Scrutiny Committee was added to the structure in 2011/12 to focus on health and wellbeing matters in preparation for the introduction of the Health and Wellbeing Board in 2013. This also provided an opportunity to create a dedicated

¹ ASPIRE values are summarised as "Take the *action* with *integrity*, *support* and *recognise* others, achieve *excellence* for *people* across Cheshire East"

Adult Social Scrutiny committee to give extra focus on that area of the Council's function. Changes to the scrutiny arrangements have been covered in 2.1.

- Internal Audit reports are submitted to management for comment and formal response. Towards the end of 2011/12, Internal Audit introduced a new Reporting Protocol, including a formal Audit Opinion for each audit with a follow-up procedure linked to this opinion.
- Internal Audit now report directly to the CFO, with a reporting line to the Chief Executive as well. The Audit and Governance Committee receive regular updates on Internal Audit work plans and key findings.
- Although the Head of Internal Audit post was vacant during 2011/12, appointment to this post is now being progressed. Collaboration opportunities with neighbouring authorities/public sector partners are being pursued through Cheshire & Warrington Sub-Programme Office.
- The Council maintains registers of interests and hospitality, as specified in [Finance and Contract Procedure Rules](#). Training is given to members and officers periodically. Agendas for member meetings contain specific reminders and explanation for the declaration of interests.
- The Council has established an Audit and Governance Committee supported by the Director of Finance and Business Services. The Constitution sets out the Terms of Reference and these follow the CIPFA model guidance. The number of members has been formally agreed and the number is such that should any conflict of issues arise this would be declared and there is no risk to the independent or effective decision making within this Committee. The CFO attends meeting of the Audit & Governance Committee in person. Regular monthly liaison meetings between CFO and Audit Commission leads, plus ad-hoc meetings on specific issues, are held as required.
- During 2011/12, five specialist Member/Officer groups were set up, each covering a specific area of audit and governance work, and made up of a small number of Members and relevant Officers. These were set up to help develop in depth knowledge and expertise amongst Audit & Governance Committee Members with the aim of improving the effectiveness of the Committee and building up good working relationships between Members and Officers.
- Under the Council's [Corporate Complaints procedure](#), described in 1.2, complainants are advised in stage 2 responses of their right to appeal to the Local Government Ombudsman if they are still dissatisfied.

4.2 *Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs*

- Significant investment has been made during the year to improve the financial management information available to managers. This has been delivered through a self-serve Financial Reporting Centre. Further investment in the financial accounting systems has been provided for in the medium term capital strategy.
- Committee report authors are required to complete a co-ordination sheet recording the 'sign off' of the report from Legal and Finance. Reports must also contain the legal and financial implications, either written or approved by the relevant department.
- Committee decision reports with material financial implications have to be cleared by the CFO, who also attends all CMT, Cabinet and Council Meetings and meets regularly with the Finance Portfolio holder.
- A [Citizen's Panel](#) has been set up in 2011/12 and the results of the first survey used to set service plans for 2012/13.

4.3 Ensuring that an effective risk management system is in place

- There is a [Risk Management Strategy](#) in place with a Corporate Risk Management Group chaired by the Portfolio holder. Risk assessments are required on all Cabinet and CMT reports. The process for risk management has been reviewed and improved in 2011/12 with the continued development of the process and clearer links to the service plan, business continuity and decision making.
- Corporate risks have been regularly discussed and reviewed with Cabinet and CMT, and update reports have gone to every Audit and Governance Committee. Training has been carried out for key staff and members as well as a number of workshops for key departments.
- Audit & Governance Committee receive regular updates on progress against the Annual Governance Statement action plan. Finance Procedure Rules set out comprehensive and robust financial management framework and principles.
- Findings in key system reviews carried out by Internal Audit during 2011/12 found that some processes and procedures supporting key Council policies required improvements e.g. local schemes of financial delegation. Actions are underway to address these issues (see Appendix 1).
- The Whistleblowing Policy complies with best practice as detailed in the [Whistleblowing Code of Practice Publicly Available Specification](#). All concerns received via the Policy are logged and tested out prior to a decision being made as to the appropriate action to be taken. The Audit and Governance Committee Fraud Sub Group receives verbal briefings on relevant cases and the full Committee is provided with more general updates as part of Internal Audit update reports.

4.4 *Using their legal powers to the full benefit of the citizens and communities in their area*

- The Monitoring Officer fulfils the statutory role with the help of the Legal team, who are involved in preparing reports and advising departments. The Constitution underlines this role, which is further enhanced by membership of CMT and close working with the Executive. External legal advice is sought as appropriate.
- The Monitoring Officer and Legal Team are proactive in ensuring advice is given on relevant legislation and ensuring the principles of natural justice and good administrative law are recognised and observed.

Principle 5 Developing the capacity and capability of members and officers to be effective
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5.1 *Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles*

- Members receive individual induction and access to a comprehensive member training programme. Members receive a formal induction every 4 years with the last one being in May 2011. Any member who is new to a committee or taking on a new role is offered an induction and any training required.
- Workforce development plans are developed each year both at a Corporate level and a service level as an integral part of the business planning process. Individual development plans are also identified as part of the performance appraisal process and linked to objectives. A corporate induction programme is in place and all new starters are required to attend. A 'Management' Induction programme continues to be developed for Council managers and a new Institute of Leadership and Management (ILM) development programme for supervisors / first line managers was launched in June 2012.
- There is a set of Model descriptions and specifications in place for Members, and these are used for reference. These have been developed as a set of Cheshire East descriptions, but they have not been formally adopted.
- All Statutory Officers have clear job descriptions and person specifications which state the necessary experience, skills and qualifications required to perform in the role. This is supported by the Corporate Training Programme; Corporate Governance has been identified as part of this. Briefings take place around the Council's Constitution, Finance Procedure Rules and Risk Management.
- The CFO is professionally qualified with extensive local government experience. The Finance team is extremely qualified and experienced and appropriately resourced, given the wider budgetary constraints facing the Council. Changes to team structure

have been made to address capacity issues and facilitate more flexible working and skills pooling.

- The Council was issued with a monetary penalty notice in February 2012 by the Information Commissioner's Office (ICO) for a breach of the Data Protection Act. The Council had reported the breach in May 2011. A number of improvements to processes have been implemented as part of the undertaking agreed with the ICO and to enhance procedures where possible. (See Section 3)

5.2 Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group

- Member training and development is delivered through a Member's Training and Development Strategy. Members have Personal Development Plans, although in some cases these will need to be reviewed and updated
- Skills assessment is an important part of the performance appraisal process and individual development plans are developed as part of these discussions. This includes 6 monthly reviews as well as monthly one to one sessions. The new Behaviour/ Competency Framework will assist managers in identifying specific skills gaps to inform the development plans. The ASPIRE shared values continue to be embedded within the appraisal process and these, along with the six key behaviours are priority areas for development.
- Further work is needed to develop the competence frameworks, which include financial knowledge and skills and to systematically embed these in person specifications and individual performance appraisal. Recent changes to Corporate Personal Development framework, which includes increased focus on 'Managing Resources' will provide an opportunity to pursue this. Investment in e-learning tools will extend the range of training offerings for officers and Members during 2012/13.
- Challenges remain in respect of developing Member roles and financial skills. The establishment by the Audit and Governance Committee, of Member task groups to provide a more focused channel for development input is offering some potential for progress.

5.3 Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal

- Active steps are taken to encourage new members at Citizenship ceremonies. Community participation is actively promoted through Local Area Partnerships and, joint working with parishes. There are also events held e.g. Local Democracy Week where Councillors visited schools. The membership of the PACE Board is kept under regular review.

- Annual development and appraisals are delivered within groups. Portfolio Holders are supported by Cabinet Support Assistants who learn and become familiar with Portfolio Holder responsibilities.
- Succession planning takes place at a local/service level and is integrated into the Workforce Planning framework. A formal corporate framework for succession planning is to be developed during 2012/13. Members participate in regular learning and development activity and there is succession planning within the Cabinet where there have been several changes to its composition over the last year and cabinet support members introduced to act as back up for existing portfolio holders.

Principle 6 Engaging with local people and other stakeholders to ensure robust public accountability
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6.1 *Exercising leadership through a robust scrutiny function, which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships*

- In addition to the Council's Constitution and scrutiny toolkit, the use of social media has been developed to widen Scrutiny's reach and to improve two way communications with the public, through the use of Twitter, Chairman's blogs and by updating the Council's web pages.
- The [Health and Wellbeing Scrutiny Committee](#) has developed good working relationships with health partners and has an existing protocol in place with the PCT. This is under discussion so it can be revised to reflect the new role of the Clinical Commissioning Groups. Health partners understand the scrutiny process and regularly attend meetings. The Committee has started to look at how it will work with the Health and Wellbeing Board.

6.2 *Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the Council, in partnership or by commissioning*

- A [Citizen's Panel](#) has been set up in 2011/12 and the results of the first survey used to set service plans for 2012/13. There is a Communications team plan and this covers the main methods of corporate communication with the public supported by communications in individual departments.
- Most meetings are held in public, using the public interest criteria in the Access to Information Rules. The status of sub-committees and working parties is critically reviewed to ensure that public access is given wherever appropriate.
- There are a variety of communication methods adopted which are targeted at particular audiences. For example, there is a [Council newspaper](#) giving overall updates and key messages, there is a very active media team producing proactive

[press releases](#). The [consultation](#) exercises previously referred to are sometimes general e.g. quality of life and sometimes specific e.g. Highways annual survey. In addition work takes place with particular groups within our differing communities through the community engagement team; the migration impact fund, gypsy and traveller focus and through LAP area working

- Processes are in place to ensure effective management of [FOI](#), media relations and a culture of openness. A revised complaints and suggestions procedure has been put in place, formal consultation with the public has taken place on key areas during 2011/12, and a Citizen's Panel has been launched and one full survey undertaken in 2011/12. This is continuing into 2012/13 and the panel will be regularly refreshed.
- Regular reports on [FOI](#) are received by the Audit and Governance Committee and there is a new transparency process which was approved by CMT in April 2011. Significant FOI issues are raised on a weekly basis at informal cabinet and cabinet take an active interest in ensuring that we comply with our statutory requirements.
- The Council's [website](#) received the highest possible rating in the annual [SOCITM](#) survey which rates accessibility and customer focus of the website; Cheshire East was one of only three unitary councils to gain this score nationally.

6.3 *Making best use of human resources by taking an active and planned approach to meet responsibility to staff*

- There is a clear commitment from the Council to involve and consult with the recognised Trade Unions on all key decisions affecting employees and, as a result of fulfilling this commitment successfully, the Council has forged strong and positive relationships with all of the recognised Trade Unions. There is Trade Union representation at the Council's quarterly [Staffing Committee](#), providing an opportunity to discuss issues directly with Members and senior officers.
- The Council has a People Panel in place which comprises of employees from across the service areas. The panel focus on key 'people' initiatives such as the employee survey action plans, employee recognition schemes, communication and involvement in decision making etc. The panel, which complements the directorate specific employee focus groups plays a key role in influencing key decisions and policies aimed at improving and strengthening employee engagement.

Section 3	Significant governance issues and Action Plan
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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As a result of the review of effectiveness process described above, the Council's Governance Framework is considered adequate.

There are a number of issues that require action and development. These are listed below:

- Awareness and compliance with Council processes/procedures
- Issues and actions arising from Lyme Green
- Empower Card Review
- Care Provider Failure
- Judicial Review
- Financial Management
- Shared Services SLE
- Data Protection breach

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. A detailed Action Plan is included as Appendix 1. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leading Member & Chief Executive on behalf of Cheshire East Council

Cheshire East Council
Significant Governance Issues and Action Plan 2011/12

The Annual Governance Statement 2010/11 identified the following significant governance issues:

- Responding to the new policy agenda freedoms since the reduction in the inspection regime and national performance reporting regimes
- Financial Management
- Review of Constitution

Progress against these actions identified for the above has been monitored throughout the year by the Corporate Governance Group, and reported to the Audit and Governance Committee. In reviewing the 2010/11 issues, the Corporate Governance Group identified “Financial Management” as a continuing significant issue. Sufficient progress has been made against the other issues for them not to be included in the 2011/12 statement.

No.	Actions	Responsibility	Target Date
1	Issue: Awareness and compliance with Council processes/procedures <i>Area: A number of Council policies have and are being updated. Sufficient awareness of Council policy and key documents (e.g. Finance & Contract Procedure Rules) in some areas of the Authority has proven to be lacking. The processes and procedures supporting key Council policies needs to be communicated/reiterated to managers/staff and compliance monitored thereon.</i>		
	<p>The Constitution Committee has continued to review the Council’s Constitution on an ongoing basis. The Committee considered a number of reports in 11/12 and made recommendations to full Council, leading to an update of the Constitution, including Finance and Contract Procedure Rules and Officer Schemes of Delegation.</p> <p>CMT to ensure service managers familiarise themselves with the Finance and Contact Procedure Rules, contained within the recently updated Constitution.</p> <p>As required by the Constitution, Managers are to ensure that they are familiar with the requirements of relevant delegated functions (Officer Schemes of Delegation), and that any further sub delegations are set out in a Local Scheme of Delegation.</p>	Service Managers/CMT	<p>July 2012</p> <p>To be reviewed by Corporate Governance Group September 2012</p>

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No.	Actions	Responsibility	Target Date
	<p>In addition, approval limits for financial transactions should be documented within a Financial Scheme of Delegation. Delegated approval limits must be consistent with the Oracle workflow limits, and these limits should be complied with, even when purchases are initiated outside of the Oracle system.</p> <p>Service managers are asked to ensure such Schemes are in place, are kept up to date, and that compliance with approval limits and delegated functions is monitored.</p>		
2	Issue: Issues and actions arising from Lyme Green <i>Area: In February 2012 a review of the Council's proposal to build a waste transfer station at Lyme Green Depot, Macclesfield commenced. This followed cessation on 30th November 2011 of all works in relation to the construction of the facility. The review, commissioned by the Chief Executive and Leader followed the resolution of the Audit and Governance Committee on 31 January 2012 which stated:</i> <i>"a thorough and robust investigation of all issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green be added to the work plan; in particular to identify any governance issues and whether all financial and contractual regulations have been complied with."</i> <i>The results of the review which were reported to the Audit and Governance Committee on 14 June 2012 indicated that whilst, in the main, appropriate Council procedures are in place to prevent financial and legal irregularities and ensure compliance with Officer Delegations, Standing Orders, EU procurement rules and ensure effective reporting to Members, in this instance there was evidence that officers failed to comply with many of these arrangements. An Action Plan, detailing proposed actions to prevent reoccurrence has been agreed and quarterly progress reports will be submitted to the Audit and Governance Committee</i>		
	As per the Action Plan agreed by the Audit & Governance Committee at its special meeting of 14 th June 2012.	Audit & Governance Committee	As per. Committee timetable.
3	Issue: Empower Card Review <i>Area: In November 2011 a review of the Empower Card implementation process was undertaken following concerns raised by users and providers. The early findings established that there were difficulties with Client Contributions, payment arrangements with providers and the relationship and processes with the supporting bank. The review, which included feedback from staff, customers and providers, has identified changes required to the supporting processes and the product in the form of an action plan. Further background is</i>		

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No.	Actions	Responsibility	Target Date
	<p><i>available in the March 2012 report to Adult Social Care Scrutiny Committee</i></p> <p>The review has been conducted by a task force led by the Strategic Director for Children's Families and Adults which included input from Audit, Finance and Legal.</p> <p>A steering group is in place to oversee the implementation of the action plan. An update report, which will seek approval for the future vision and options, will be brought to Members during the autumn.</p> <p>Specific actions include:</p> <ul style="list-style-type: none"> • Undertaking an audit of payments and client contributions, by a specially created Empower Audit Task Team, aiming to establish the robustness of the payment arrangements with providers • Establishing and recovering directly from clients any contributions not paid in accordance with the Care Support Plan and Financial Assessment • Once the above actions have delivered sufficient stability, determine a new vision for the financial arrangements for Adults, explore future systems, banking products and processes to simplify and standardise 	Strategic Director of Children, Families and Adults.	March 2013
4	<p>Issue: Care Provider Failure</p> <p>Area: <i>There is increased potential for legal challenge around fees paid, and of provider sustainability and or failure in the current economic climate, as demonstrated by the collapse of Southern Cross, the UK's largest care home provider in July 2011.</i></p> <p>The Council has commissioned a consultant to assist in developing a Fees Framework for Residential, Nursing, Domiciliary Care, Support Living and Direct Payments. This work will also achieve the development of Quality Frameworks – to assist the Council in raising standards of care, and to assure quality provision within the fees framework and affordability. By working with providers the aim will be to establish a fee structure that is sustainable for both the Council and providers over the medium term.</p>	Head of Integrated Strategic Commissioning and Safeguarding	December 2012

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No.	Actions	Responsibility	Target Date
5	Issue: Judicial Review <i>Area: Challenges to the Authority in the form of judicial reviews are increasing. The basis of the challenges involves the allocation of funding and resources, and deprivation of liberty. The financial impact in 2011/12 is £500,000. The risk of provider failure in the care market has become a real concern during 2011/12, highlighted by the events at Southern Cross, the UK's largest care home provider until its demise in July 2011.</i>		
	<p>The service has improved the application of policy, staff training and tightened procedures with the assistance of Legal. However, the risk of Judicial Reviews remains significant because of the continuing growth and availability of litigation, and the changing personalisation agenda.</p> <p>Continued close liaison with Legal, jointly assessing and monitoring potential cases will continue for the foreseeable future, allowing early warning and action to be taken across the Council.</p>	Head of Local Delivery and Independent Living Service	March 2013 – to be monitored by Corporate Governance Group.
6	Issue: Financial Management <i>Area: Delivery of the 2011/12 budget has proved challenging with a number of services facing out-turn pressures due to a range of factors, including inflation, ambitious delivery and savings targets and higher than anticipated levels of service demand. General economic pressures and the demands arising from the delivery of an ambitious capital programme and complex pay harmonisation package have added to the challenges.</i>		
	Actions already implemented/in progress <u>General</u> <ul style="list-style-type: none"> • Monthly performance monitoring embedded • Corporate Training Programme extended to include Budget Management module • Development of improved suite of financial management reports and self-serve portal (Financial Reporting Centre) • 2012/13 budget adjusted to address permanent growth pressures (including Teachers Pensions, Placement costs for 16+ young people, Adults Care costs and undeliverable cross-cutting savings) • Monthly capital monitoring review meetings with main service directorates 		

Cheshire East Council
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No.	Actions	Responsibility	Target Date
	<p><u>Specific</u></p> <p><u>Children and Families</u></p> <ul style="list-style-type: none"> Development of in-house residential provision to reduce out of borough placement costs <p><u>Adults</u></p> <ul style="list-style-type: none"> Refinement of cost driver analysis Targeted debt recovery action Empower audit and review Consultant engaged to support care cost challenge and undertake 'stress testing' of future savings delivery. <p><u>ICT</u></p> <ul style="list-style-type: none"> Rationalisation of Shared Service staffing levels and targeted VR programme Review of third party spend, cancellation and consolidation of contracts) Maximisation of partnership and third party income 	<p>Deputy Director of Children and Families</p> <p>Strategic Director of Children, Families and Adults</p> <p>Head of Business Management and Challenge</p> <p>Strategic Director of Children, Families and Adults and Director of Finance and Business Services</p> <p>Head of Integrated Strategic Commissioning and Safeguarding</p>	<p>March 2013</p> <p>December 2012</p> <p>March 2013</p> <p>See Issue 3 above.</p> <p>September 2012</p>

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No.	Actions	Responsibility	Target Date
	<p><u>Waste Management</u></p> <p>Service out-turn relating to Waste included the one off implementation costs of the new harmonised collection rounds and also redundancy costs. Certain cost pressures remain, attributable to pay harmonisation, fuel inflation and services contracts. Actions in progress include:</p> <ul style="list-style-type: none"> Review of waste fleet provision, including provision and maintenance Review of waste structure, particularly use of agency support Review of third party spend, contract provisions and revised tonnage forecasts <p><u>Community Services</u></p> <ul style="list-style-type: none"> Increased car park tariffs and alternative payment options <p>Further action proposed</p> <ul style="list-style-type: none"> Roll out of Financial Reporting Centre to 250 budget managers, and development of capital and payroll forecasting reports. Implementation of revised operating model for client finance Development of fully costed product/service catalogue for HR & Finance & ICT Shared Service Capital training module to be added to Corporate Training programme Strengthening of capital programme governance and monitoring arrangements in accordance with recommendations arising from report on Lyme Green Waste Transfer Station project. 	<p>Head of Waste & Recycling/Strategic Fleet Manager</p> <p>Head of Waste & Recycling</p> <p>Head of Waste & Recycling</p> <p>Director of Finance & Business Services</p> <p>Strategic Director Children, Families & Adults and Director of Finance & Business Services</p> <p>Director of Finance & Business Services</p> <p>Finance Manager</p> <p>Director of Finance & Business Services</p>	<p>Sept 2012</p> <p>Sept 2012</p> <p>Sept 2012</p> <p>Dec 2012</p> <p>April 2013</p> <p>December 2012</p> <p>December 2012</p> <p>September 2012</p>

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No.	Actions	Responsibility	Target Date
	<ul style="list-style-type: none"> 5 year capital programme planning being developed to ensure affordability and deliverability of medium term investment programme. 	Director of Finance & Business Services	September 2012
7	Issue: Shared Services Separate Legal Entity (SLE) Area: The Council has a range of shared services. Of these, it is proposed that the ICT and HR and Finance shared service be set up as a separate legal entity (SLE) to enable greater collaboration and potential increased trading. This arrangement would also allow for employees in those services to be employed on a single set of terms and conditions. In preparation for the SLE an extensive improvement programme has been undertaken to address performance issues and to stabilise infrastructure and systems. Another outcome was the development of a fit for purpose Target Operating Model to move the services into a company situation. Recruitment to the TOM is currently underway to enable a transition to shadow mode in anticipation of the move to an SLE as it is believed that this will help to minimise risk of failure. It is anticipated that the SLE Business Case will be approved by Shared Services Joint Committee in the autumn to enable new arrangements to be put in place from 1 April 2013. Existing governance will be reviewed to ensure that this continues to be appropriate to this new way of working.		
	The latest Business Case will be subject to informal discussion by the Joint Committee in June 2012. Should Members informally endorse the Business Case, it will then be subject to the formal decision making processes of both Cheshire East and Cheshire West and Chester Councils. This will include formal consideration by the appropriate scrutiny committees of each authority.	Director of Finance and Business Services	Ongoing – to be monitored by Corporate Governance Group during 2012/13
8	Issue: Data Protection breach Area: The Council was issued with a monetary penalty notice by the Information Commissioner's Office (ICO) for a breach of the Data Protection Act. The Council reported the breach to the ICO following an incident reported in May 2011, where an email containing sensitive personal information was sent to a wider audience than intended. A number of improvements to processes have subsequently		

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No.	Actions	Responsibility	Target Date
	<p>been made.</p> <p>Following the monetary penalty notice received in January 2012, the Chief Executive signed an undertaking with the Information Commissioner. The requirements of the undertaking included updating policy, introducing various organisational and technical measures and giving training to members and officers.</p> <p>Actions already implemented</p> <ul style="list-style-type: none"> • Data Protection Policy amended and updated. • Data Sharing Protocol and guidance leaflet published. • ICT Security policies updated. • Increased use of secure e-mail facilities. • Training delivered to managers and members • E-learning modules introduced. • Mandatory training for all members of staff as part of Personal Development Plan. • Establishment of Data Protection Liaison Officer within services. • Concerted communications campaign including Team Talk articles, refresh of intranet pages, separate DP e-mail address etc. <p>Actions in progress</p> <ul style="list-style-type: none"> • Development of Data Sharing Policy, Paper Record Policy, Personal Data Definition leaflet, standard paragraphs to be used by services restricting further distribution of information etc. • Further training for members planned. • Other targeted training, awareness sessions planned. • Continued establishment of DP Liaison Officers. 	<p>CMT/Data Protection Officer</p>	<p>Ongoing – to be monitored by Corporate Governance Group during 2012/13.</p>