

Cheshire East Council

Annual Governance Statement
2012/13



Cheshire East Council – Annual Governance Statement 2012/13

Foreword

Despite the significant amount of change during 2012/13, the Council has finished the year in a stronger position than it started. 2013/14 and future years will bring new challenges, through different ways of working and delivering services as a Strategic Commissioning Council.

Our role will grow to one of ensuring that our high standards of governance on behalf of the people we serve are shared with, and can be demonstrated by, the local organisations we partner with as we work to deliver agreed outcomes.

The past year has been a challenging and demanding time for Cheshire East Council. Dealing with the investigation into the Lyme Green development project and the weaknesses it exposed in our organisational governance have had to be a priority for us.

As a publicly accountable body, we are responsible for ensuring that our business is conducted in accordance with the law and with proper ethical and professional standards, that public money is safeguarded and properly accounted for, and that our shrinking resources are used economically, efficiently and effectively. In the case of Lyme Green, we fell below those high standards of governance we expect. The actions taken to learn from the experience, and to make extensive improvements as a result, demonstrate the Council's commitment to maintaining those high standards.

This past year has also been an exceptionally busy period, in terms of making the changes needed to deliver the Council's ambitious service transformation plan. The Council's review of our management roles and

responsibilities is the first element of this, as we move to put in place our new operating model as a Strategic Commissioning Council. This new structure and way of working is now becoming visible and will roll-out across the whole organisation by the end of 2013. This will pose some new governance challenges for us which we will meet.

There are also many positives from the past year. In conducting the review to produce this Annual Governance Statement, we have been able to demonstrate, with assurance that work within the Council is generally carried out to the high standards local people expect. Where there have been difficulties in meeting these, they have been dealt with appropriately and action has been taken to minimise the risk of it happening again.

Our Members and staff have high standards of conduct and behaviour. There are, occasionally, isolated exceptions, but we can be increasingly confident that our culture, values, and ways of working will reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection if they do.

Mike Suarez
Chief Executive
September 2013

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1. Cheshire East Council's Governance Framework

Scope of Responsibility

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. Cheshire East Council has approved and adopted a [Code of Corporate Governance](#), updated in October 2012, which is consistent with the principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework '[Delivering Good Governance in Local Government](#)'. A summary of the principles of the Code is shown in **Figure 1**. Our Chief Executive, Mike Suarez, is a member of the CIPFA / SOLACE working group which developed this guidance document.

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



- 1.5. A summary of the Council's Code of Corporate Governance is described in **Figure 2**.

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Figure 2: Summary of Cheshire East Council’s Code of Corporate Governance

1) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas	2) Members and officers working together to achieve a common purpose with clearly defined functions and roles	3) Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	4) Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	5) Developing the capacity and capability of members and officers to be effective	6) Engaging with local people and other stakeholders to ensure robust public accountability
<u>1.1)</u> Exercising strategic leadership by developing and clearly communicating the authority’s purpose and vision, and its intended outcome for citizens and users	<u>2.1)</u> 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	<u>3.1)</u> Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<u>4.1)</u> Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<u>5.1)</u> Making sure that members and officers have their skills, knowledge, experience and resources they need to perform well in their roles	<u>6.1)</u> Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountable relationships
<u>1.2)</u> Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<u>2.2)</u> 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	<u>3.2)</u> Ensuring that organisational values are put into practice and are effective	<u>4.2)</u> Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	<u>5.2)</u> Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<u>6.2)</u> 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 authority, in partnership or by commissioning
<u>1.3)</u> Ensuring that the authority makes best use of resources, that tax payers and service users receive excellent value for money, and the charge to tax payers to be affordable and reasonable	<u>2.3)</u> Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of each other		<u>4.3)</u> Ensuring that an effective risk management system is in place	<u>5.3)</u> Encouraging new talent for membership of the authority so that best use can be made of individual’s skills and resources in balancing continuity and renewal	<u>6.3)</u> Making best use of human resources by taking an active and planned approach to meet responsibility to staff
			<u>4.4)</u> Using their legal powers to the full benefit of the citizens and communities in their area		

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- 1.6. The Council undertakes an annual review of its governance arrangements to ensure continuing compliance with best practice as set out in the Framework.
- 1.7. This Annual Governance Statement (AGS) is that review and explains how the Council has complied with the Code and meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011, which requires all relevant bodies to prepare an Annual Governance Statement.

The Purpose of the Governance Framework

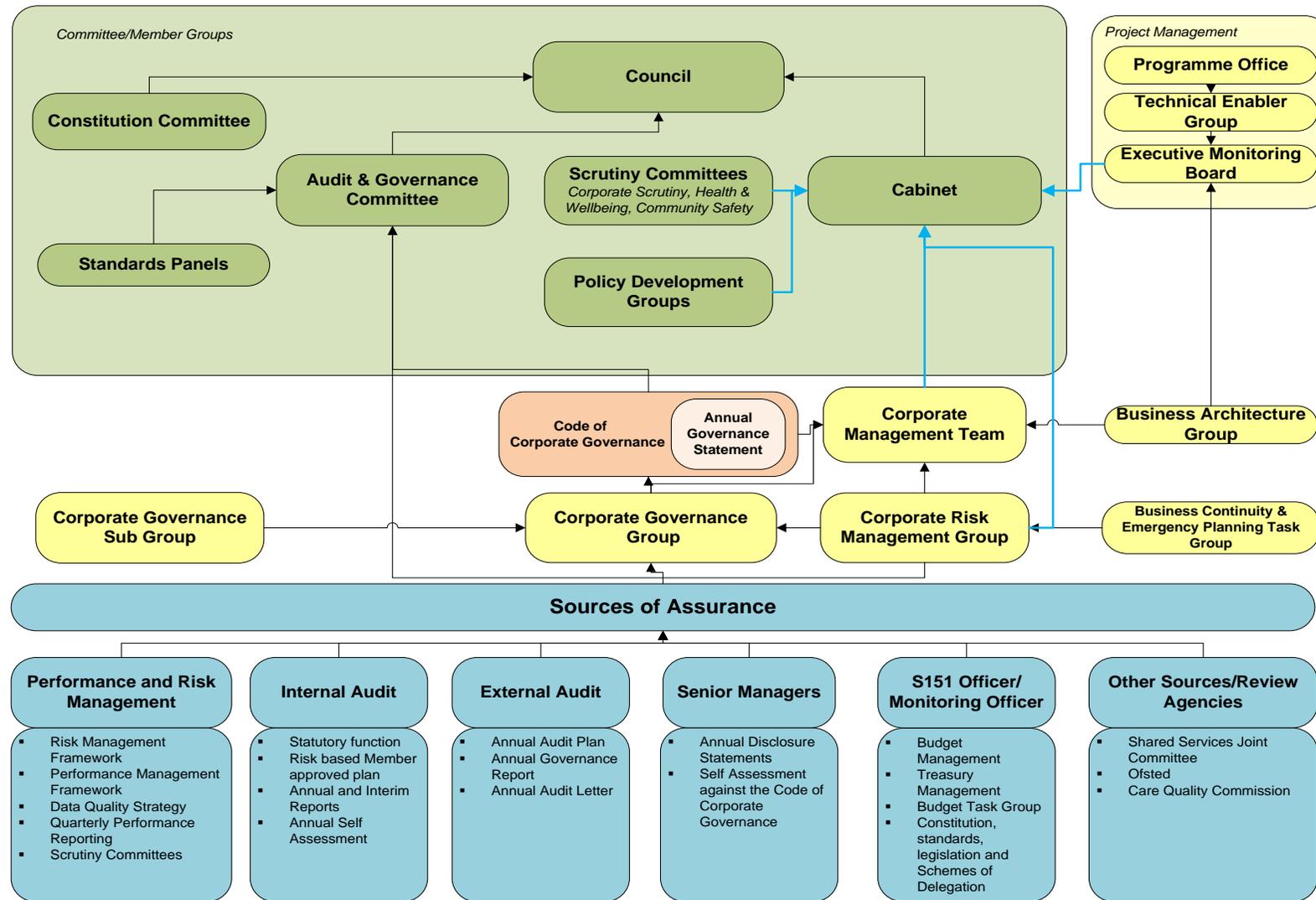
- 1.8. The Governance Framework comprises the systems, processes, cultures and values by which the Authority is directed and controlled and its activities through which it accounts to, engages and leads with the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 1.9. 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.
- 1.10. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised; the impact should they be realised; and to manage them efficiently, effectively and economically.

The Governance Framework

- 1.11. The Governance Framework shown in **Figure 3** has been operating for the majority of the 2012/13 and was in place at 31st March 2013. Changes to the Framework during the year include the introduction of governance arrangements for Major Projects and Programmes in October 2012.
- 1.12. Six [Policy Development Groups](#) (PDGs) have been introduced in 2012/13 covering: Finance, Communities, Environment & Prosperity, Health & Adult Social Care, Corporate & Performance, and Children & Family Services.
- 1.13. The PDGs actively involve backbench Members on a cross-party basis, giving them a key role in the formulation of policy. They operate closely with scrutiny committees and the Cabinet, being informed by and informing the work of those bodies. The groups hold some meetings in private, particularly in the initial stages, but also meet in public to ensure open accountability for their decisions. A review of the PDGs has begun; due to the ongoing Management Review this will continue into the autumn.
- 1.14. [Scrutiny Committees](#) have been reviewed and refocused from six to three: Community Safety, Health & Wellbeing and Corporate Scrutiny.
- 1.15. The Standards Committee has been removed in line with the Localism Act 2011. The Authority continues to promote and maintain high standards of conduct by its Members, and has updated the Audit and Governance Committee's Terms of Reference to include responsibility for ethical standards and conduct issues.

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Figure 3: Governance Framework as at 31st March 2013



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2. **Review of Effectiveness**

- 2.1. 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 process is co-ordinated by the Corporate Governance Group, and is informed by a variety of assurance sources.
- 2.2. 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
- 2.3. We have reviewed the effectiveness of the Governance Framework as depicted in **Figure 3**. We have also highlighted where enhancements have been introduced during the year, or where opportunities for further improvement have been identified. In reviewing each principle we have identified the relevant sources of assurance.
- 2.4. The following paragraphs describe the sources of assurance as set out in **Figure 3**.
- 2.5. We have reviewed assurance statements completed by all Heads of Service responsible during 2012/13, and also assessed any partnership or other working arrangements with external partners, relating to their area of responsibility.
- 2.6. The assurance statements and review of Partnership Governance arrangements have been countersigned by the relevant Directors.
- 2.7. A self-assessment against the Council's Code of Corporate Governance has been carried out; work on this has been ongoing throughout 2012/13 by the Corporate Governance Group.
- 2.8. Assurance is also derived from the Head of Internal Audit's Annual Report for 2012/13. The Council has generally established an adequate framework of risk management, control and governance. Evidence throughout 2012/3 would however, indicate that although appropriate strategies and policies are in place and have been communicated, understanding, application and compliance are inconsistent across the organisation. Action has been, and is being taken to address the issues.
- 2.9. 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.
- 2.10. During 2012/13 the Council assessed the effectiveness of its internal audit by self assessing compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.
- 2.11. A self-assessment of the Audit and Governance Committee was carried out by the Chair and Vice Chair in conjunction with the Audit Managers and reported to the Audit and Governance Committee in March 2013.
- 2.12. Our review is also informed by the reports, feedback and action plans of the External Auditors and other review agencies and

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Inspectorates. Grant Thornton became the Council's External Auditors on 1st September 2012.

Statement, informing the final version presented to Audit and Governance Committee.

- 2.13. Each of the six principles of Cheshire East Council's Code of Corporate Governance, summarised in **Figure 2**, is reviewed individually in the tables below. Actions for improvement have been identified. Where there has been a failure to reach the standards expected and further actions are ongoing/required, these issues have been included in the Significant Governance Issues and Action Plan 2012/13 (Section 4).
- 2.14. Many of the sources of assurance are referred to across more than one of the principles; a summarised list of the sources of assurance is provided at **Appendix A**.
- 2.15. A number of significant governance issues were identified in the Annual Governance Statement for 2011/12, including Issues and Actions arising from Lyme Green, and Awareness and Compliance with Council Policies and Procedures. Elements surrounding these issues still require improvement, and this year's Action Plan describes in further detail.
- 2.16. Progress on the 2011/12 improvement actions has been reported on throughout 2012/13. Sufficient progress has been made against the other issues not to be included in this year's action plan.
- 2.17. The process of preparing the AGS 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 2012/13.
- 2.18. The draft Annual Governance Statement was presented to the Audit and Governance Committee on 27th June 2013 to provide an opportunity for Members to comment and feedback upon the

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

This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • Members have worked with Officers, to develop a clear vision of the Authority's purpose and intended outcomes for citizens and service users; these have been expressed in a variety of documents: <ul style="list-style-type: none"> ○ The Sustainable Communities Strategy; "Ambition for All" 2012-25 sets out the collective vision for the area, and the priority actions which need to be addressed to achieve that vision. ○ The Council's Three Year Plan setting out the strategic direction of the Council, its purpose and its main outcomes – approved by Council in February 2013. ○ The Medium Term Financial Strategy 2013/16 sets out how the Council will meet its three-year priorities through major change programmes and transformation. ○ The Budget Report 2013/16 confirms the proposals being put forward are deliverable and sustainable whilst managing continuing financial pressures and a 30% reduction in funding from Government as a result of national austerity measures. ○ Service Plans are developed to express these plans at operational levels, and the Personal Development Review (PDR) process establishes individual objectives, all in support of delivering the outcomes initially expressed in either the Budget Report or the Service Plan. • The Council ensures that users receive a high quality of service by measuring our performance, and publicly reporting our financial position. Services use a variety of performance measures to monitor the quality of service provision. Locally set performance indicators are monitored through the CorVu system and form part of the quarterly performance reports to Cabinet. • We ensure the best use of resources for tax payers and services through the 2013/16 Business Planning process. A thorough financial challenge was carried out as part of the budget setting process, leading to a comprehensive change programme and other efficiencies. • The Council's External Auditors issued a qualified Value for Money (VfM) opinion during 2012/13, in relation to the 2011/12 financial year. A small number of high level recommendations were agreed between the External Auditor and the interim Chief Executive which should improve the Council's arrangements. There are strong links between these and the recommendations made by Internal Audit in relation to the Lyme Green project investigation. These recommendations have been implemented, for example, by the introduction of the Project Management Framework, improvements to the Business Planning Process, setting of the Three Year Plan and the review and improvement of the Council's Performance Management Framework. • Council Tax was frozen again in 2012/13 and will be in 2013/14 and 2014/15. The Council has also introduced a Council Tax Support Scheme, following abolition of Council Tax Benefits by the Government. The scheme began in April 2013 after public consultation in 	<ul style="list-style-type: none"> • Sustainable Communities Strategy • Medium Term Financial Strategy • Budget Report 2013/16 • Service Plans • PDRs • Statement of Accounts 2012/13 • Quarterly performance reports to Cabinet, including Final Outturn Performance • Consultation exercises • Compliments and Complaints • LGO Annual Report • Cabinet reports on alternative service delivery models • Council Tax Support Scheme

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

This is what we've done during 2012/13:	The evidence of this is in:
<p>2012/13.</p> <ul style="list-style-type: none"> • Improved control of finances during 2012/13 resulted in a small under spend for the year, reported in the Final Outturn report. Spending pressures still remain in areas such as Adult Social Care, Waste and Leisure but these are being tackled by a number of remedial actions, including in some cases, alternative service delivery options. In addition, the capital programme has been subject to more rigorous review from both Officers and Cabinet members through a new project management system and a Gateway Approval system. • The Council has continued to work with partners to deliver services, and over 2012/13 increased service delivery via external organisations. Examples of this include the approval of the Shared Service to become a Single Legal Entity, and the agreement of an operating partner for the Lyceum Theatre. The intention of these arrangements is to guarantee high quality service delivery at the best possible value to the local tax payer. • Governance arrangements for existing key partnerships are in place and embedded. Examples include the Local Area Partnership, the Shared Service Back Office, and the Local Enterprise Partnership. As the Council moves to becoming a Commissioning Organisation, there is a need to make sure we are working with adequate and appropriate resource to support the governance of such arrangements. • The new post of Chief Operating Officer is responsible for the design, planning and operation of all the 'core' business support functions which underpin the strategic commissioning framework of the Council, together with the monitoring, evaluation and reporting of the performance of all providers (including in-house service teams) used by the Council (and its partners where such provision is delivered on a joint or integrated basis), against the agreed outcomes for local people. They will also ensure sound democratic decision making, good governance, and openness/access to information. In addition, the Chief Operating Officer also undertakes the statutory role of Section 151 Officer. • Financial Management arrangements continue to be compliant with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010). Although there have been staffing changes at a senior level, there has been a Section 151, or authorised Deputy in place throughout the year. • Use of the Council's Corporate Complaints procedure is monitored to identify the number of complaints received, and those escalated to the Local Government Ombudsmen. The Local Government Ombudsmen's Annual Review will be reported to the Audit and Governance Committee in November 2013. 	

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

This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • The Interim Chief Executive introduced a new management structure, which has begun to take shape during 2013/14. This will see the Council become a commissioning organisation, working with alternative service delivery models and partners to deliver services, and signals an end to 'silo working', which was identified as one of the internal failings in the review of Lyme Green. • Interim senior staffing arrangements have been introduced to minimise disruption following the departure of a number of senior officers. This initially involved the use of deputies to ensure compliance with statutory responsibilities such as Section 151 responsibilities, and the subsequent use of interim appointments to provide additional support. The interim appointment of a Monitoring Officer and the Chief Operating Officer has been supported by the first round of appointments to the new management structure. • Cllr Michael Jones was appointed as Leader of the Council on 16th May 2012. Kim Ryley has served as Interim Chief Executive during 2012/13; however a new permanent Chief Executive, Mike Suarez was appointed by Council on 7th May 2013, and has taken up the post with effect from 12th August 2013. New working relationships are already developing through valuable discussions and meetings. • The Business Planning process is summarised in 2013/2016 Budget Report, which clearly sets out how resources will be matched against the delivery of priorities set out in the Council's Three Year Plan and major change programme. • Section 2 of the Budget Report sets out the approach to delivering Financial Stability and a balanced budget over the medium term. Annex 7 of the report includes a comprehensive risk assessment used to underpin the Council's Reserves Strategy. • All reports on decision making matters require input from the Section 151 Officer and the Monitoring Officer regarding the financial and legal implications respectively. • Delegated Decisions and Non-Compliances (of Contract Procedure Rules) have been reviewed and approved at CMT during 2012/13. A report to Audit and Governance Committee on 27th September 2012 provided an initial update on the revised procedure. Subsequently the appropriate Member/Officer working group considered specific examples. In addition, the Internal Audit plan 2012/14 contains a review in this area. • The Constitution published on 1st February 2013 was updated to include the requirement to report to Audit and Governance Committee on the number of non-compliance instances on a half yearly basis and the first of these reports is scheduled for the September 2013 meeting. • Additional training on Procurement rules has been carried out, and all Schemes of Financial Delegation have been subject to review and were updated in July 2012. Further work on ensuring Schemes of Financial Delegation remain up to date as efficiently as possible 	<ul style="list-style-type: none"> • Chief Executive report to Council 28/02/13 • Cheshire East Council Constitution • Council agenda, reports and minutes • Compliance with Contract Procedure Rules report to Audit and Governance Committee

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Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
This is what we've done during 2012/13:	The evidence of this is in:
<p>is ongoing. Schemes will need to be updated regularly as the Council moves into its new structure.</p> <ul style="list-style-type: none"> • The Council is currently going through a management review as part of its transition to becoming a “Commissioning Council”. This is significantly changing its management structure. In order to take account of this, the Council meeting on 15th May 2013 made a resolution to ensure that there would be no “gap” in terms of the officer delegation scheme, during the period of the restructure. The last set of general amendments were approved by Constitution Committee on 24th January and published 1st February 2013, but further amendments will be required following the meeting of Council on 15th May 2013. • Section 38 of the Localism Act 2011 requires the authority to publish a Pay Policy Statement by 31st March on an annual basis. The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of its employees. The Pay Policy in effect for 2012/13 was agreed by Council on 23rd February 2012 and the Policy for 2013/14 agreed by Council on 28th February 2013. • A new Independent Remuneration Panel was appointed during 2012/13 and is reviewing the Members allowance scheme. • A Partnerships Protocol, to inform and enable well governed relationships where the Council delivers services with external organisations was being drafted during 2012/13, however, this has been halted pending the outcome of the organisational redesign; the need for guidance to ensure we understand, introduce and comply with appropriate governance for new ways of working as a commissioning organisation has been recognised by the Corporate Governance Group and will be monitored closely during 2013/14. • During 2012/13 the Council has improved its appraisal process and introduced a new set of Corporate Behaviours. This is a comprehensive framework with different levels appropriate for different grades of staff in the Council and now forms part of the appraisal discussion(s). It enables managers to focus on ‘how’ staff go about their job and the way they achieve their objectives rather than focusing on the achievement of objectives in isolation. The behaviours go hand in hand with the ASPIRE (Action – Support – People – Integrity – Respect – Excellence) values to help create the very best culture for Cheshire East. 	

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

This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • The Authority's purpose and values are key to the Council's new Three Year Plan and the organisational redesign of the Council. • The Council's ASPIRE values have been updated to outline how the Council will work under the new design: we take action with integrity; we respect and support each other; together we achieve excellence for people in Cheshire East • The Employee Code of Conduct has been reviewed and updated and issued to all staff in June 2012. It is available on the Council's CEntranet site. • The Authority adopted a new Member Code of Conduct on 19th July 2012, in line with the requirements of the Localism Act 2011. The Code is intended to ensure all Members observe the highest standards when carrying out their duties • The Standards Committee met for the last time on 18th June 2012 and was formally decommissioned in November 2012. During 2012/13, under the old Code of Conduct, the Council dealt with twelve complaints (four Borough, eight Parish), the majority of which were completed before the new arrangements began, although four required further action post - 19th July 2012. • Under the new Member Code of Conduct, periodic reports will be going to the Audit and Governance Committee, showing the number and outcome of complaints received. Decision notices from public meetings will be published in full on the Council's website. The first of these reports is scheduled for the September 2013 meeting. • The Council's Data Protection Policy has been updated in line with the Information Commissioner's Office (ICO) undertaking. As part of the Heads of Service self-assessment, contributing to this statement, it was recognised that this change had not been immediately communicated to Officers through the usual channels, because of disruption caused by senior staff departure and reorganisation. Guidance is now being made available via CEntranet and will be highlighted via Team Talk and targeted email. There have been no problems identified as a result of the change not being communicated. • The Council has a Whistleblowing Policy which has been reviewed during 2012/13 and remains in line with best practice. This review, along with details of reports received under the policy was reported to the Audit & Governance Committee (28th March 2013). 	<ul style="list-style-type: none"> • Council's Three Year Plan • Staff Code of Conduct • New Code of Conduct for Members • Data Protection Policy • Whistleblowing Policy

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Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks

This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • There is a Gateway model (as per the Constitution) in place to provide assurance and controlled start up of projects. This has been established since August 2012 and involves the Executive Monitoring Board (EMB) and Technical Enabler Group (TEG). Monthly meetings of these groups are now held to review, challenge and give endorsement for all new major projects and programmes. EMB also oversee the monthly monitoring of major projects and programmes as well as commission health checks, as required. • There is a Corporate Programme Management Office (PMO) in place which monitors programmes and projects and provides guidance. It also runs and supports EMB/TEG. An external provider has been providing programme and project management training for Senior Responsible Owners and Project/Programme Managers. The training is mandatory for all officers who are accountable for programme/projects and/or are managing projects and/or are part of a project team. • Annual reports on Corporate Complaints, Data Protection and Freedom of Information are presented to the Audit and Governance Committee. • All Council payments over £500 are published on the Authority's website. • The organisation's assurance arrangements are broadly compliant with the requirements of the CIPFA statement on the Role of the Head of Internal Audit, although the Head of Internal Audit post remained unfilled during 2012/13, due to the revision of the management structure. The Audit Managers reported directly to the s151 Officer, with a direct reporting line to the Chief Executive available. Internal Audit has moved to the "Governance and Democratic Services" section in the new management structure. • A self assessment of compliance with the Code of Practice for Internal Audit in the United Kingdom 2006 was carried out during 2012/13. The review concluded that, although there are areas for improvement, the Internal Audit service is being delivered to the required standard. From 1st April 2013 the authority will need to demonstrate compliance with the Public Sector Internal Audit Standards. • Opportunities for Internal Audit to collaborate with neighbouring authorities and partners continued to be explored during 2012/13 and into 2013/14. • Member/Officer sub groups continued to be used to develop and support the work of the Audit and Governance Committee. • A new Financial Reporting Centre has been launched during 2012/13 to provide self-serve access for managers to a consistent set of reports. The month-end processing timetable has been reviewed and accelerated to allow for reports to be published by the first Monday following the calendar month end. Further development work is planned to enhance the basic reports through inclusion of commitment data from interfaced systems. 	<ul style="list-style-type: none"> • EMB/TEG Agendas and Reports • Internal Audit Annual Report 2012/13 • Audit and Governance Committee agendas and reports for 2012/13 • Corporate Risk Management Group reports to the Audit and Governance Committee 2012/13. • Ofsted report • Council payments > £500

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Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • On-line audit trails have been activated in Oracle and investment in interrogation software is planned to allow audit logs to be analysed and checked. • A data quality issue has been recognised within Licensing, arising from problems in transferring data from the former Council's legacy systems and we know that this has had an impact on the quality of the data which can be returned in the National Fraud Initiative. Internal Audit has completed a review to establish the wider impact of the data quality issue, and an action plan has been agreed to progress the issues identified. • The Council's arrangements for the protection of children were inspected by Ofsted in March 2013. Although the inspectors acknowledged that there were examples of good practice throughout services, there were a number of areas for improvement identified, and therefore the effectiveness of our arrangements was judged to be "Inadequate" overall. An action plan has been agreed with Ofsted and the Senior Leadership Team for Children's Services. • The Council has a Corporate Risk Management Group which meets every two months and is chaired by the Portfolio Holder responsible for risk. The Group reports regularly to the Audit and Governance Committee on risk management. Cabinet and the Corporate Management Team (CMT) began to review the key corporate risks and risk register in late 12/13. Work on updating and prioritising the risks and the production of an accompanying action plan and heat map is continuing. • Risk management was an integral part of the Council's service planning processes during 2012/13. There is a risk management section on the report template for all decision papers so that report writers may highlight the key risks associated with any decision making and guidance on risk management was made available for report writers and policy makers to assist with this. • Cabinet and CMT have agreed that the Council should aim to achieve a consistent level of "risk managed" in terms of risk maturity. Currently the level of risk maturity is judged to be between "risk aware" and "risk defined". Whilst this gives a good foundation, work is required to further embed risk management understanding and techniques, such as risk identification. • The Council maintains a register of hospitality and declarations of interests. Officers and Members are required to complete an annual declaration. 	

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Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • The Council has a comprehensive Corporate Training Programme which continues to grow each year. We have also had significant uptake of our online courses through the Learning Lounge intranet site, which offers a wide range of courses including Health and Safety, Time Management, Project Management, Equalities and Diversity amongst others. • Training across a range of issues is provided to all elected members each year. In early 2013, the Council began work on developing a comprehensive training programme for members around the topics of leadership, constructive working relationships and its new role as a commissioning Council for delivery in 2013/14. • The introduction of the Policy Development Groups has helped to develop the capability of Members on a cross-party basis, giving them a key role in the formulation of policy. In addition, the use of Cabinet Support Members has been important in succession planning. • We have invested in Oracle to further develop our online appraisal process and incorporate the new behaviours. All staff and managers (with online access) are required to complete their appraisal online and provide an assessment against the achievement of objectives, the corporate behaviours as well as an overall rating for the performance year. This will provide valuable management information about the overall performance levels across the Council and specific gaps /areas of development. • Cheshire East is accredited as training employer, for example, by CIPFA, the Association of Accounting Technicians (AAT) and the Association of Chartered Certified Accountants (ACCA). Staff are professionally trained and qualified where necessary; for example, the Finance team as a whole includes 40 qualified or part qualified accountants and 25 qualified or part qualified accounting technicians. We also have 45 staff who are full or student members of the Institute of Revenues Rating and Valuation (IRRV). • Core competencies identified as part of senior management review place appropriate emphasis on financial management skills and accountabilities. New pay structures/policies will incentivise improved financial management practice. Training provided as part of FRC launch and roll-out should enhance financial literacy/awareness amongst budget managers. Finance Policy Development Group provides new opportunity to develop and embed more focussed understanding amongst members of key financial issues. Regular 1:1 meetings with Finance Portfolio Holder and programme of benchmarking activity/collaboration with other authorities provide opportunities for member development and learning. • A series of staff road shows were run during the winter of 2012 involving around 1500 members of staff in a range of venues across the borough. Entitled “Shaping our future together” the purpose of the road shows was to inform and engage staff around the new era in local government, the challenges and choices ahead and to discuss and explore the new deal for staff. The road shows provided valuable feedback and insights into how staff felt about the new deal and our transformational journey and this has helped shape our approach to effectively managing and embedding the required change. 	<ul style="list-style-type: none"> • Corporate Training Programme • Personal Development Review framework • Policy Development Groups

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Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
This is what we've done during 2012/13:	The evidence of this is in:
<ul style="list-style-type: none"> • The Scrutiny Function has been revised, and now comprises three committees instead of six; Corporate Scrutiny, Community Safety and the Health and Wellbeing Scrutiny Committee. • The Health and Wellbeing Board was in shadow operation during 2012/13, and went 'live' at the start of April 2013. Relationships and processes are still developing between the Health and Wellbeing Board and Scrutiny Committee. • The newly introduced Community Safety Scrutiny Committee reviews the work of the Community Safety Partnership. It will also need to develop relationships and processes. • Six policy development groups have been introduced covering the following areas; Finance, Communities, Environment and Prosperity, Health and Adult Social Care, Corporate and Performance, and Children and Family's Services. The groups actively involve backbench Members on a cross-party basis, giving them a key role in the formulation of policy. They operate closely with both scrutiny committees and the Cabinet, being informed by and informing the work of those bodies. The groups hold some meetings in private, but also meet in public to ensure open accountability for their decisions. • The People's Panel has continued to meet over the course of 2012/13. The Panel meets monthly and provides a platform for employees to share their views, ideas, information and influence key decisions. • The Council launched a 'Media Hub' on the Council's Intranet Page during 2012/13. This provides a central point of contact between the Council's Communications Team, and anyone interested in the work of the authority; residents, media, businesses and partners. It provides quick links to the latest news from the authority and our social media channels; YouTube, Flickr, Twitter accounts and Facebook. • "Cheshire East Direct" was launched in April 2013, as a weekly email available to staff, members, and residents, providing an update on the Council's news. • A number of Consultation exercises have been carried out, most extensively on the Local Plan to provide the widest possible opportunity for engagement with local people and other stakeholders. Consultation opportunities are generally advertised via the Council's website and provide an opportunity to invite public opinion and inform decisions on service delivery. • Public engagement continues to be a priority of the Council and is maintained through the use of the Citizens Panel. The panel affords the Council an opportunity to engage with a representative group of citizens across the Borough. The panel, 'Influence Cheshire East' (ICE) continues to grow and now has over 3,000 members. The Spring Survey 2012 had a 64% completion rate. Results were published in October 2012 and included specific findings/outcomes on Libraries, Food Waste Collection and Health and Wellbeing. Results and analysis have been used and will continue to be used to inform and evaluate the Council's three year plan outcomes. 	<ul style="list-style-type: none"> • Scrutiny Committee agendas and reports • Policy Development Groups • Media Hub • Cheshire East Direct • Consultations on www.cheshireeast.gov.uk • Influence Cheshire East

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3. Emerging governance issues

3.1. There are a number of emerging issues with the potential, if not well managed, to become significant governance issues. These are summarised below, and will be monitored by the Corporate Governance Group during 2013/14, and escalated to Corporate Leadership Board and/or Audit and Governance Committee as necessary.

- Unprecedented pace of change currently within the Council, including:
 - Challenges of being a Commissioning Council – establishing needs assessment, commissioning plan and ensuring that Members and Officers are suitably skilled and trained.
 - High staff turnover – maintaining effective governance arrangements during transition period, particularly around statutory roles and functions.
 - Alternative service delivery models – including governance arrangements and roles and responsibilities.
 - Constitution – will require maintaining and updating to reflect changing organisational structure and new ways of working.
- The Government released a single year Comprehensive Spending Review for 2015/2016 on 26th June 2013. This set out a headline funding reduction of 10% in real terms. However, there are a number of other changes and pressures to be considered. These include changes to New Homes Bonus and Council Tax freeze compensation grants. As such the final impact on funding levels could be higher and several issues are being consulted on.

The Council's existing financial plans for 2015/2016 to 2016/2017 are based on a set of prudent assumptions including overall reductions in funding of 30% over those two years. Given all the uncertainty there are no plans to alter that position at this stage.

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4. **Significant governance issues and Action Plan 2012/13**

- 4.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 4.2. There are a number of issues that require attention and development over the course of the next year. These are listed in the table below; “Significant Governance Issues and Action Plan 2012/13”.
- 4.3. We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. 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:

Leader of the Council	Chief Executive
Dated:	

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Significant Governance Issues and Action Plan 2012/13

Ref	Improvement Area	Actions required	Responsibility	Target date
1	Management Structure & Organisational Culture			
	<p>Weaknesses in the Council’s organisational culture, which were a product of separate professional “silos” in the Council’s management structure. These have sometimes caused confusion, poor decision making, and inefficiency, because it was not always clear who had authority to act and who was accountable ultimately for the success or failure of particular initiatives.</p> <p>See: Cabinet Report 4th February 2013</p>	<p>Move to new ‘Strategic Commissioning’ Operating Model</p> <p>Implement new management structure</p>	Chief Executive	September 2013
2	Embedding Corporate Policies and Procedures and Ensuring Compliance			
	<p>The Council has a significant number of corporate policies and procedures, which have been mapped by the Corporate Governance Group.</p> <p>There is insufficient evidence from the various assurance sources that all Council policies and procedures are currently embedded amongst Officers. With minimal resources, monitoring to ensure compliance with policies and procedures is currently limited.</p>	<p>Map Council’s Assurance Framework and review to ensure adequate coverage in ensuring compliance.</p>	Chief Executive	September 2013

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Appendix A: Sources of Assurance

- [Code of Corporate Governance](#)
- [Sustainable Community Strategy: “Ambition for All”](#)
- [Budget Report 2013/16](#)
- [Medium Term Financial Strategy 2013/16](#)
- [Constitution \(February 2013\)](#)
- Quarterly Performance Reports to Cabinet
- [Internal Audit Annual Plan 2012/13](#)
- [Internal Audit Annual Report 2012/13 \(June 2013\)](#)
- [External Audit Annual Audit Letter 2011/12](#)
- [Pay Policy 2012/13](#)
- [Committee Agendas, Reports and Minutes 2012/13](#)
- Audit and Governance [Committee Terms of Reference](#) and [work plan 2012/13](#)
- [Audit and Governance Committee Self Assessment 2012/13](#)
- [Annual Report on Risk Management 2012/13 \(June 2013\)](#)
- [Consultation exercises](#)
- [Compliments and complaints](#)
- Local Government Ombudsmen Annual Report (September 2013)
- [Code of Conduct for Members](#)
- Staff Code of Conduct
- Whistleblowing Policy
- Data Protection Policy
- [Ofsted Report – Local Authority arrangements for the protection of young children](#)
- [Council payments >£500](#)
- [Cheshire East Council Media Hub](#)