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Annual Governance Statement

2014/15

Version Status: Audit and Governance Committee Draft

Version Date: 25th June 2015

1. Introduction and Background to the 2014/15 Annual Governance Statement

- 1.1. Each year, the Council produces an Annual Governance Statement that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account. Cheshire East Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within arrangements set out in its Constitution, which clearly outlines how the Council operates, how decisions are made and what procedures need to be followed to ensure the Council is efficient, transparent and accountable to its residents and stakeholders.
- 1.3. The Annual Governance Statement reports on:
 - how the Council complies with its own governance arrangements
 - how the Council monitors the effectiveness of the governance arrangements
 - what improvements or changes in governance arrangements are proposed during the forthcoming year
- 1.4. Like much of the public sector the Council continues to face on-going and unprecedented financial and service delivery challenges. Challenging decisions have been, and will continue being made to remodel and redesign services that meet the needs of the residents of Cheshire East.
- 1.5. However, this process is not without risks to the Council and all changes will need to be managed in a structured and co-ordinated manner. Having a focus on governance issues, including processes for review and challenge within the Council will help it to manage risk and make the right decisions.
- 1.6. The Council has also reaffirmed its commitment to becoming a strategic commissioning council. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of public sector budget reductions. In [May 2014](#), the Leader outlined further development of the commissioning Council approach, and the commitment to being "resident first." Our community based outcomes are set out in our [Three Year Plan - 2013-2016](#).
- 1.7. Against this background the Council has delivered another outstanding performance for its residents and businesses during 2014/15, including;
 - 96% of our schools rated good or outstanding by Ofsted - in the top 3 Councils in the country
 - £16m funding for strategic Crewe link road and £2.3m for Sandbach junction of the M6 motorway
 - £5m invested in the future of Alderley Park
 - Fairerpower energy tariffs to residents
 - £900k savings achieved on corporate contracts
 - Connecting Cheshire Partnership now reaching 70,000 premises with fibre broadband
 - Strong financial performance continues to ensure that reserves are in line with assessed financial risks and also provides a strong platform for the financial challenges ahead.
- 1.8. Like all local authorities, this Council continues to be affected by reductions in Central Government funding. Whilst the Council has discretion to increase local taxes, it has not done so now for five consecutive years as it strives to play a key part in public sector reform

and developing the economy in Cheshire and wider area with our partners.

- 1.9. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is important to note that total spending per head of population is below average compared to the nearest neighbours. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East Council.
- 1.10. Through the reviews done to produce this Annual Governance Statement we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need, for the delivery of excellent services.
- 1.11. While there may be isolated exceptions, we can be increasingly confident that our culture, values, and ways of working will continue to reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.

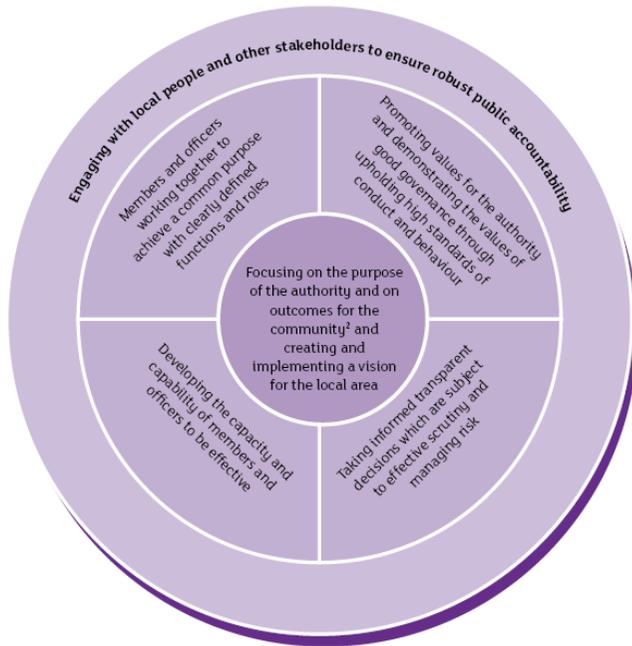
2. Governance Framework

Scope of Responsibility

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

- 2.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 2.3. The Council has approved and adopted a [Code of Corporate Governance](#) that is consistent with the six 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 those six principles is shown in **Figure 1**.
- 2.4. This Annual Governance Statement (AGS) 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).
- 2.5. This draft AGS is reported to the Council's Audit & Governance Committee in June 2015 and the final will be published alongside the Statement of Accounts in September 2015. It provides assurance that:
- governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed improvements required, action is planned to ensure effective governance in future.

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



The Purpose of the Governance Framework

- 2.6. The Governance Framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.7. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable

and not absolute assurance of effectiveness. It is based on an 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 and the impact should they be realised;
- and to manage them efficiently, effectively and economically.

The 2014/15 Governance Framework

- 2.8. The Governance Framework shown in **Appendix 1** operated for the majority of 2014/15 and was in place at 31st March 2015. Changes to the 2014/15 Framework are described below.
- 2.9. Following the review of the Council’s Scrutiny function during 2014, six Overview and Scrutiny Committees were introduced and met regularly during the 2014/15 financial year. The organisation of the Overview and Scrutiny committees has been designed to align with strategic service delivery.
- 2.10. There are a small number of statutory requirements for Scrutiny Committees. During 2014/15, these requirements have been fulfilled as follows; the Communities Overview and Scrutiny Committee was designated for Community Safety. Health Scrutiny issues have been addressed through the Health and Adults Social Care Committee, and Flood Risk Management has been considered by the New Service Delivery Vehicles and Environment Committee. Corporate Scrutiny has an additional role in co-ordinating the overarching scrutiny work programme.
- 2.11. An annual report on the overall Scrutiny and Overview Committee work programme 2014/15 is due to be reported to Council in July 2015.

- 2.12. During the course of 2014/15, a number of “Alternative Service Delivery Vehicles” launched, transferring service delivery in a number of areas to Council owned and controlled companies.
- 2.13. Cheshire East Resident’s First Limited (CERF Ltd) was established in shadow form during the year and came into being on 1 April 2015 as a holding company for the following subsidiaries;
- Orbitas
 - Ansa
 - Transport Service Solutions Ltd.
 - Civicance (from 1st April 2015)
- 2.14. The Council’s move to a commissioning model strives to match the best fit supplier to the quality and value of services required. The Council is now part of a group of companies that are wholly or partly owned by the Council. The new group of companies focuses on putting the residents of Cheshire East in providing high quality services, whilst moving towards a more commercially focused approach that maximises value for money.
- 2.15. In addition, the Council’s existing joint provider of business services with Cheshire West and Chester Council became a separate legal entity; “CoSocius”. Tatton Enterprises Ltd continues to provide catering provision at Tatton Park and Engine of the North was established on 1st May 2014.
- 2.16. Everybody Sport and Recreation Leisure (ESAR) is a charitable trust. ESAR is governed by an experienced and dedicated board of trustees who act in a voluntary capacity, bringing their skills and knowledge from many diverse professional and personal backgrounds to give the trust its strategic direction and to ensure that it is governed in accordance with its charitable objectives.
- 2.17. The Council continues to develop and embed structures, systems, process and supporting arrangements to ensure that these key relationships are well governed. The increasing use of alternative providers has resulted in the Council’s control environment being, to a degree, dependent upon those providers own systems, procedures and controls. The Council’s formal arrangements for the management of performance, finance, programmes and contracts contributes to the upholding of key elements of governance arrangements within these providers.
- 2.18. Detailed updates on the governance arrangements for the Alternative Service Delivery Vehicles have been provided to the Audit and Governance Committee throughout 2014/15, most recently to the March 2015 Committee. The effectiveness of these arrangements has been assessed as part of producing this Statement.

3. Review of Effectiveness

- 3.1. The Council undertakes an annual review of its governance arrangements co-ordinated by the Corporate Assurance Group. This process is informed by a range of sources. The various sources of assurance which inform the annual review are shown in Figure 2.
- 3.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:
- **Line Management** - Assurance on individual line manager’s areas of responsibility is provided by Disclosure Statements, Partnership Governance Reviews and informed by the acceptance and implementation of recommendations from internal and external audit.
 - **Management Review** - Assurance on the effective management of core function activities is provided by reviewing compliance with policies, including how this information is used to drive

improvement, and how relevant risk management information is escalated up or cascaded down through the Council.

- **Internal Review** - The performance of Internal Audit and the Audit and Governance Committee, along with their assessments of the performance of individual service areas, and cross function service areas informs the preparation of the Statement.
- **External Review** - The findings and feedback from external inspectorates of the Council also provide assurance which is considered in preparing the Statement.

3.3. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2014/15 and is as follows:

Head of Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2014/15

3.4. The Council continues to develop its governance framework as it delivers its transformation programme and seeks to achieve its significant savings targets. Our work has confirmed that there are adequate management arrangements in place which include robust monitoring and reporting processes. Monitoring of the Annual Governance Statement continues through the newly formed Corporate Assurance Group and the Council is proposing to undertake further work to update its Constitution.

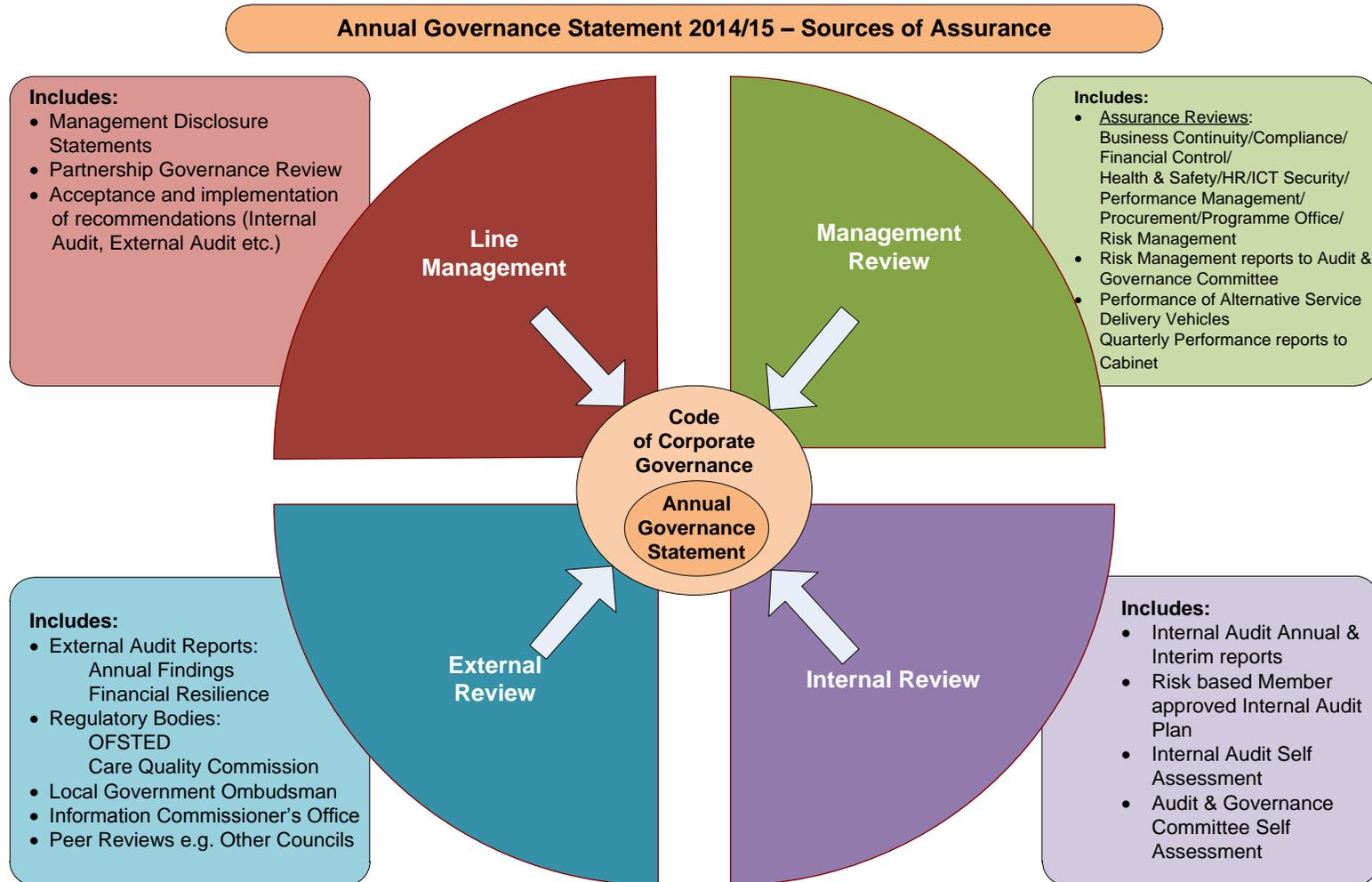
3.5. Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that the service is being delivered to the required standard. Some areas for development are being addressed. These include the need to have an external assessment against the Standards carried out. This is due once every 5 years and will be completed in 2016/17. The self-assessment and resulting

action plan will be shared with the Audit and Governance Committee in September 2015 as part of the AGS review process.

3.6. The Council is due to receive the opinion from its External Auditors on the Statement of Accounts and Value for Money for 2014/15, in September 2015.

3.7. In preparing the AGS we have examined reports, feedback and action plans from the Council's other review agencies and inspectorates, which have not highlighted any significant issues with the Council's governance arrangements.

Figure 2: Where our assurance for the effectiveness of our governance arrangements comes from



- 3.8. The [Audit and Governance Committee](#) plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 3.9. The outcome of the Audit & Governance Committee's self- assessment against the CIPFA guidance was reported in March 2015. The committee has confirmed that they have continued to improve performance and are now performing well across most areas.
- 3.10. The Committee assessed itself as compliant or partially compliant against all areas. In comparison to the previous assessment, there are now more areas of full compliance. Actions required to ensure the Committee becomes fully compliant are identified in the [March 2015 report](#). The 2013/14 Statement also referred to a number of emerging issues, which the Corporate Assurance Group monitored during 2014/15 to ensure that these areas were effectively managed, to ensure that they did not become significant issues in year.
- 3.11. As Local Government continues to make progress towards better value for money and put people in charge of the services they use, the ways in which public services have been delivered for the last 50 years are no longer affordable. In large part this is due to reductions in public spending, but there has also been a significant increase in demand for services and increased public expectation about the quality of services.
- 3.12. Councils are at the forefront of meeting these challenges and are driving transformational change and redesign of services, developing new partnerships and ways of working to break down silos to result in services that are fundamentally better, in terms of results, value for money and efficiency.
- 3.13. Many of these national issues are mirrored in the Council's transformation agenda. Table 1 below sets out the governance issues that the Council has been proactively monitoring during 2014/15 as well as those identified in last year's Annual Governance Statements. This is an ongoing process and all actions are updated on a quarterly basis following discussion at Corporate Assurance Group meetings. In addition regular updates are provided to the Audit and Governance Committee.
- 3.14. The CIPFA guidance defines the six core principles that underpin the governance framework of a local authority:
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.*
- 3.15. A more detailed assessment against the six CIPFA/SOLACE principles is set out in Appendix 2.

3.16. The table below sets out the progress made against the issues identified in the 2013/14 Annual Governance Statement, which were not identified as significant governance issues, but required further attention during 2014/15.

Table 1 – Progress against governance issues identified in 2013/14 Annual Governance Statement

Description of Issue	Proposed Action	Responsibility	Progress made during 2014/15
<p>Information Asset Register (Principle 3) The Council needs to further develop its Information Asset Registers in line with best practice.</p>	To sign off information asset registers and agree arrangements for their ongoing maintenance and annual review.	Chief Operating Officer	An initial Information Asset Register has been completed for the whole Council during 2014/15. The process of validating this version with individual services also commenced during 2014/15. It will be completed in early 2015/16.
<p>Business Continuity Planning (Principle 1) Current and tested business continuity plans are not consistently in place across all service areas.</p>	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	Head of Corporate Resources and Stewardship	Business Continuity Planning has been aligned with Risk Management and Governance arrangements. Action is now being taken to update and test corporate continuity plans. Progress will be reviewed by Internal Audit during 2015/16.
<p>Local Economic Partnerships (Principle 1) Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.</p>	Governance arrangements need to be developed that are sufficiently 'future proofed' to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council's relationship with it.	Director of Economic Growth and Prosperity	The Council, as the accountable body, has been working closely with the LEP core team to develop and 'bed-in' governance and stewardship arrangements appropriate to the management of Local Growth Funds. The Council's Chief Operating Officer has taken a leading role on the LEP's Performance and Governance Board during the year and is also the S151 officer for the LEP and responsible for the LEP's assurance framework. There has been representation from Members and Senior Officers across the various LEP boards and committees through 2014/15. Internal Audit is also carrying out a governance review in early 2015/16.

3.17. The 2013/14 Annual Governance Statement identified a limited number of emerging issues, which required further attention and monitoring to ensure they did not become significant governance issues. The table below provides details of the issues raised and the actions which have been taken during 2014/15.

Table 2 – Progress made in 2014/15 against emerging issues identified in 2013/14 Annual Governance Statement

Description of Issue	Proposed management action	Responsibility	Progress made during 2014/15
<p>Council Funding (Principle 1) On-going and future changes to the financial framework - including several changes to national funding regimes - will increase the Council’s reliance on self-financing. Many of these changes arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.</p>	<p>The Chief Operating Officer considers the risk as part of the closure of accounts including his assessment of the need to make appropriate provisions in both the Collection Fund and General Fund. In addition, significant work is being undertaken with the Cabinet to develop budget proposals for 2016/17 and beyond.</p> <p>Proposals for a balanced budget for 2015/16 were presented to Corporate Overview and Scrutiny Committee on 21st July 2014 – significantly earlier than ever before. This provided residents and businesses with greater certainty and allowed the Council more time to focus on the greater financial challenges ahead.</p>	Chief Operating Officer	<p>These issues which challenge the Council’s financial position are considered as part of the budget setting report to Council including the calculation of a risk assessed minimum level of reserves. This calculation was reviewed and challenged during January 2015 and was informed by the third quarter review of performance.</p> <p>The Council’s planned level of reserves as at 31st March 2015 is in line with its risk assessment and agreed policy.</p> <p>Budget setting has been supported by further enhancements to the in- year performance monitoring processes.</p> <p>Medium Term Financial Strategy, Leader’s Report and Budget 2015/18</p>
<p>Project Management (Principle 4) The Council has a significant number of key projects currently in implementation and planned for the future. These include</p> <ul style="list-style-type: none"> ambitious economic regeneration 	<p>The Council’s revised project and programme management approach is now an established part of the governance framework. Through its member led Executive Monitoring Board, all major change programmes and projects are subject to scrutiny and challenge at both</p>	Chief Operating Officer	<p>Continuous improvement in programme and project management has been embedded in the form of a comprehensive Programme Management Office (PMO) Action Plan, endorsed by EMB in July 2014 and monitored on an ongoing basis. This brings together a</p>

<p>plans; and</p> <ul style="list-style-type: none"> ongoing commissioning reviews leading to new improved service delivery arrangements. <p>The Council is aware that if any of these are not delivered as planned it could result in aspects of service failure for residents, reputational issues or increased financial pressure.</p>	<p>development and delivery stage.</p> <p>The Council’s new scrutiny committees also have an overview and help to highlight any issues and mitigate this risk.</p>		<p>number of ongoing work streams, including recommendations from internal audit’s project health checks.</p> <p>A number of Finance and Project Management staff have received formal training on “Better Business Cases” and will use this to inform the production of Business Cases in future.</p> <p>A number of Council staff responsible for managing projects have undertaken a Foundation Course in the Management of Risks, which has enhanced their project management skills.</p>
<p>New Service Delivery Models (Principle 3)</p> <p>The Council launched four new service delivery vehicles in April and May 2014. Service areas transferred to these new companies were initially completed on a ‘lift’ and ‘shift’ basis to maintain existing arrangements. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.</p> <p>Two new vehicles were launched in early 2015: Transport Service Solutions Ltd (1st January 2015) and Civicance (1st April 2015)</p>	<p>Senior officers to continue to work with the directors of the new companies and the Leisure Trust to clarify roles and responsibilities and to ensure that the requirements of the commissioning plans and new contracts - and the benefit to residents - are fully achieved.</p>	<p>Chief Operating Officer</p>	<p>The shareholders agreement is now in place and work is ongoing to support the Cheshire East Residents First (CERF) Board in monitoring performance and reviewing business plans. The Council has reviewed the management fee requirements for 2015/16 as part of its wider budget discussions.</p> <p>Cabinet received updates in relation to proposals for its energy and planning/building control companies during the year.</p> <p>Cabinet, 6th January 2015</p>

<p>Health and Social Care Integration (Principle 2)</p> <p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the three acute providers in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with one of the initial aims of the work programme being to reduce non elective-admissions to hospitals locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>	<p>The Council is continuing to develop the BCF arrangements with its CCG and acute provider partners, to ensure that a deliverable programme of work is in place by April 2015. The Council, along with its partners is continuing to develop, discuss and assess progress in line with Department of Health Guidance throughout 2014/15, which help to support further assessments of progress being undertaken by the Department of Health. More detailed plans will be submitted to the Department in September 2014.</p> <p>Specific actions being developed as part of the September submission, and continuing through the remainder of 2014/15 include:</p> <ul style="list-style-type: none"> • Developing the risk log and assessment process with partners. • Establishing appropriate governance arrangements for the BCF – with an overall budget of £23.8m - determined by Government, that are outlined in the submission alongside arrangements for risk sharing and contingency planning with partner commissioners and providers. • Assessing the financial risk between the partners, whilst understanding that significant risk falls to the CCG's as commissioners, in that if a reduction in emergency admissions is 	<p>Director of Adult Social Care and Independent Living</p>	<p>A number of updates have been reported during 2014/15;</p> <p>Better Care Fund Plan (Cabinet, 1st April 2014)</p> <p>Better Care Fund Update (Audit and Governance Committee, 20th November 2014)</p> <p>Better Care Fund – Section 75 Partnership Agreements (Health and Wellbeing Board, 24th March 2015, Cabinet, 31st March 2015)</p> <p>A strategic commissioning manager has been appointed to support the delivery of the Better Care Fund. This, combined with specific finance support provides CEC with capacity to develop more robust finance and performance reporting mechanisms to provide assurance to partners and the Health and Wellbeing board.</p> <p>Redesigned and pilot health and social care joint schemes are now moving towards implementation and launch with all schemes anticipated to be operational from October 2015. The risk, finances and performance of these schemes will continued to be monitored during 2015/16.</p> <p>NHS England has outlined a quarterly reporting cycle via the 2015/16 BCF</p>
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	<p>not achieved, they would bear the cost of these admissions as well as the cost of investment in BCF initiatives.</p> <ul style="list-style-type: none"> • Ensuring that the performance framework provides sufficient intelligence and information to allow the overall performance of the BCF scheme to be monitored including the performance payment mechanisms being implemented by the Department of Health. 		<p>operationalisation guidance.</p>
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- 3.18. Central Government has reaffirmed its ambition to continue its public service reform programme through increasing choice, opening services up to a wider range of providers, devolving decision making to the lowest appropriate level and improving transparency and accountability of public services.
- 3.19. The Council has continued to make more progress towards better value for money and putting people in charge of the services they use. Our assessment of the effectiveness of our governance arrangements for 2014/15 has not identified any significant governance issues. Table 3 below highlights the specific issues arising during the year that, going forward, will need action and monitoring by the Council to ensure that they do not become significant governance issues. They will continue to be monitored by Corporate Assurance Group during 2015/16 and escalated to the Chief Operating Officer, Corporate Leadership Board, Audit and Governance Committee and Cabinet where necessary.

Table 3 – Emerging business issues impacting on 2015/16

Description of Issue	Proposed Management Action	Responsibility
<p>Public Service Reform (Principle 4)</p> <p>Councils are now at the forefront of transformational change and redesigning public services, developing new partnerships and ways of working to break down silos to result in services that are fundamentally better, delivering economic prosperity, reformed public services, and value for money and improved efficiency. A key part of the reforms is The Care Act 2014, which took effect on 1st April 2015, bringing together the majority of legislation covering Adult Social Care. Cheshire East residents will benefit from the new legislation through the enhanced focus on ‘wellbeing’, the new national eligibility criteria for services, the recognition of the role of carers by insuring they have equal rights to access support and the many other changes included.</p> <p>Much of the Act is already embedded in policy and practice but there are a number of changes required by the Act. A Care Act Programme Board and project team has been established under the leadership of the Director of Adult Social Care and Independent Living. The Council received a one off allocation of funding from Central Government to support preparation for implementation and change management</p> <p>A number of individual projects have been working to deliver on the wide ranging requirements of the new legislation. Further details were reported to Cabinet on 3rd March 2015</p>	<p>The Council will need to introduce a variety of new policies, as reported upon in the Cabinet paper to ensure compliance with the Care Act 2014 from the 1st April 2015.</p> <p>These include;</p> <ul style="list-style-type: none"> • Preparation for legislation which governs the financial contribution to care • Reviewing the use of its discretionary powers with regards to charging for care and associated services. • Introducing the new national eligibility criteria for carers • Ensuring care and support is made available to those carers with assessed eligible needs. 	<p>Director of Adult Social Care and Independent Living</p>

<p>Information Governance (Principle 3)</p> <p>Effective information governance practices are critical in an organisation like the Council which deals with significant amounts of personal and sensitive information every day. They ensure that data is handled in accordance with the relevant legislation, as well as providing accurate and available information for decision making purposes.</p> <p>Within Cheshire East Council, the Chief Operating Officer is the Senior Information Risk Owner (SIRO), and the Corporate Manager ICT is the Deputy SIRO. The Deputy SIRO chairs the SIRO working group which reports into the Corporate Assurance Group. The SIRO working group has a programme of which includes improving information management practices in the Council.</p> <p>Breaches of the Data Protection Act have been reported to the Information Commissioners Office (ICO) in year. The ICO findings have not resulted in fines; they have required additional actions to be undertaken, including training.</p> <p>The Council has formalised and communicated an incident breach reporting process, and recognises that there is a need to improve compliance with information governance best practices.</p> <p>There have been regular Council wide communications reminding staff of the importance of good information management practices, and these have been supported by improved internal guidance on the Council’s intranet pages.</p>	<p>Continue to raise awareness about good information management practices across Service Management Teams, and general awareness amongst all Council staff and Members. Staff Induction, team meetings and personal development reviews will also be used to promote awareness and engagement.</p> <p>The adoption and validation of the Council’s Information Asset Register with individual services will improve understanding of data held, as well as clarifying ownership of data and associated roles and responsibilities.</p> <p>A training programme targeting information governance is in development and will be released across the Council in a phased manner during 2015. This aims to improve understanding of personal and corporate responsibilities in relation to data handling.</p>	<p>Chief Operating Officer</p>
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4. Conclusion

- 4.1. The Chief Operating Officer, as the Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor's opinion on the Council's control environment:

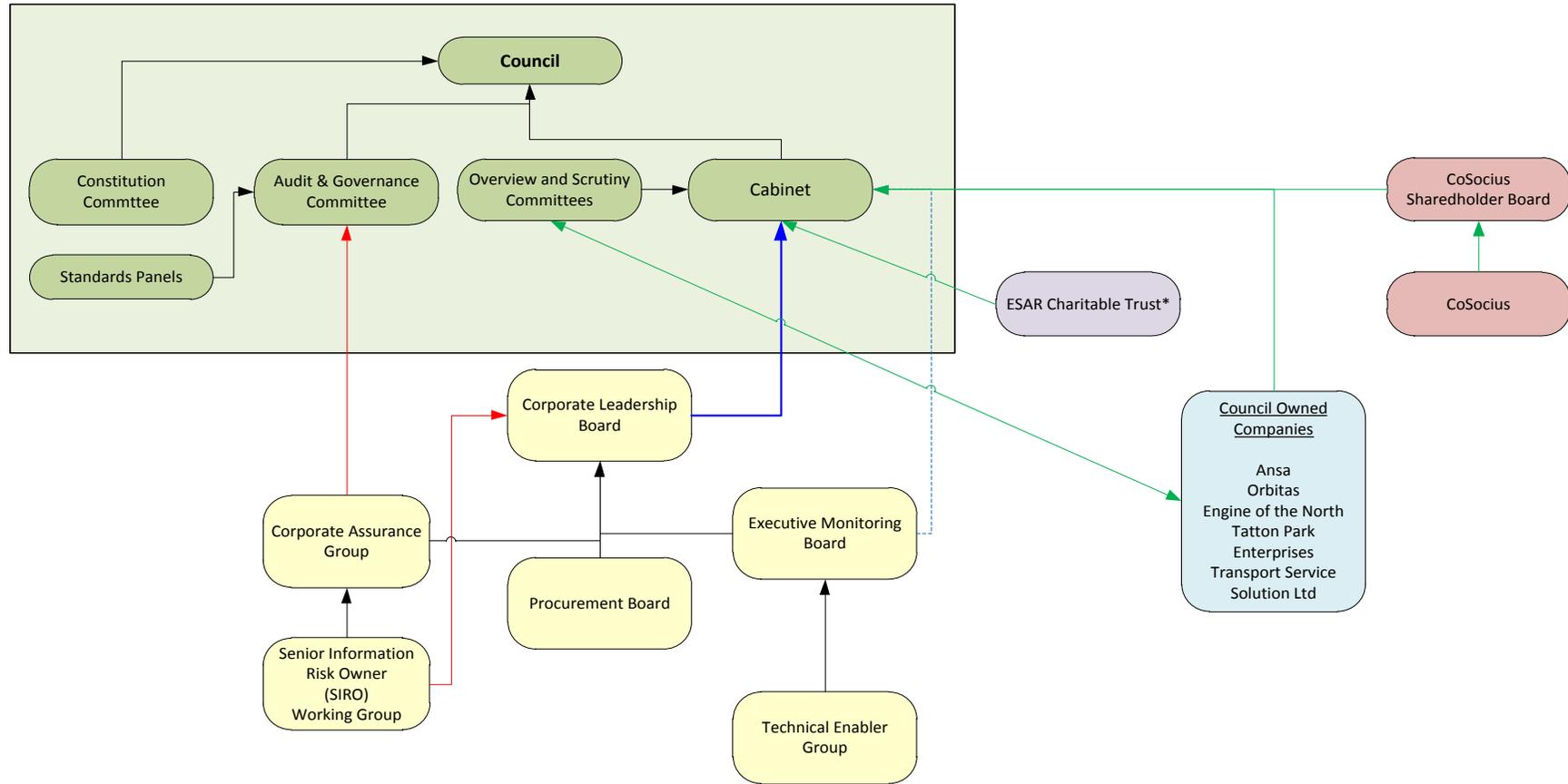
The Council's framework of risk management, control and governance is assessed as adequate for 2014/15.

- 4.2. The Chief Operating Officer also recognises that further work is needed to ensure that the Council's arrangements for risk management, control and governance are fully, and consistently, embedded across the Council. He will continue to work with the Council's Corporate Leadership Board (CLB) and Corporate Assurance Group (CAG) to ensure that these arrangements are regularly reviewed and refreshed so that it is fit for purpose to support the transition to a commissioning council that puts residents and businesses first.

5. Approval - To be signed following September 2015 Committee

- 5.1. 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.
- 5.2. We propose over the coming year to take all appropriate action to address the above matters and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Appendix 1: The Governance Framework in operation during 2014/15



Key:

- Black lines denote normal Committee reporting lines
- Blue lines denote groups reporting to Cabinet
- Red lines denote groups reporting to Audit and Governance Committee
- Green lines denote the reporting for ASDV arrangements
- Dashed blue line denotes individual scheme reports to Cabinet via the PMO process
- * Relationship between ESAR and the Council managed via the Contract.

Appendix 2 – The Council’s more detailed assessment against the six CIPFA/SOLACE principles of good governance

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.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Continuing to develop and promote the Council’s purpose and long term vision, set out in the Sustainable Communities Strategy “Ambition for All” 2012/25 through the updated Medium Term Financial Strategy 2015/17 (MTFS) and the Leader’s Announcements to Council during 2014/15.	Medium Term Financial Strategy, Leader’s Report and Budget 2015/18 (Council, 26 th February 2015) Leader’s Announcements at Council (Council, 14th May 2014 , 17th July 2014 16th October 2014 11th December 2014 26th February 2015)
We have reviewed and restated the Council’s priorities for the local area and have reviewed, and continue to develop, the Council’s governance arrangements as we make the transition to operating as a strategic commissioning Council and delivering services in different ways.	Payments to Directors of Council Owned Companies (Audit and Governance Committee, 20 th November 2014) Alternative Service Delivery Vehicle and Governance and Stewardship (Audit and Governance Committee, 19 th March 2015)
Performance reports are discussed on a monthly basis at Corporate Leadership Board (CLB) and taken to Cabinet each quarter. The content of the reports demonstrate the Council’s progress in achieving against each of the five outcomes from the Council’s Three Year Plan and are used to highlight examples of excellence in service delivery, as well as monitoring areas requiring improvement.	First Quarter (Cabinet, 16 th September 2014) Mid-Year Review of Performance (Cabinet, 11 th November 2014) Third Quarter Review of Performance (Cabinet, 11 th February 2015)
The Council’s review of Community Governance arrangements continued during 2014/15, resulting in the parishing of all communities within the Cheshire East boundaries. Most recently, Macclesfield Town Council was established. Elections to the Council were carried out on 7 th May 2015.	Macclesfield Community Governance Review Macclesfield Community Governance Review – Final Outcome (Constitution Committee, 29 th January 2015)
Various parts of the Council also use other forms of social media, including Twitter , Facebook , YouTube and Flickr to engage and inform communities and stakeholders. The Communications team also provide related media releases, where appropriate.	The Council has 40 Twitter accounts, the most followed of which is @CheshireEast with around 11,100 followers. Other popular accounts are @CECRangers, @FISCheshireEast and @CECLibraries.
The “My Cheshire East” phone application launched in March 2015. This provides residents access to localised information, news, an interactive map and the ability to “Report it”.	My Cheshire East app

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.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The app has been downloaded 1,580 times so far.	
The Council provided an updated “Value for Money” overview in November 2014. This was shared at an all Members Finance briefing on 16 th December 2014 and the documents and supporting data is available on the Council’s website. The purpose of this document is to provide evidence and analysis for interested stakeholders, increasing transparency around the Council’s financial position.	Value for Money 2014
CIPFA’s Prudential Code for Capital Finance in Local Authorities and their Treasury Management Code of Practice have been adopted in full. The Council receives specialist support from Arlingclose on all aspects of borrowing, lending and investments. An annual report on the Treasury Management Strategy for 2015/16, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2015/18, required under Part 1 of the Local Government Act 2003 was approved by Audit and Governance Committee in January 2015.	Treasury Management Strategy and MRP Statement 2015/16

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Following the completion of the senior level management restructure required to support the transition to commissioning Council status, a revised officer delegation scheme has been developed and the expectations of Members with regard to ASDV accountability have been outlined. Further work continues in updating Local Schemes of Delegation (financial and non-financial).	Revised Scheme of Delegation to Officers (Council, 14 th May 2014). ASDV Scrutiny, Governance and Stewardship arrangements were reported to Corporate Scrutiny Committee on 31st March 2014.
The Chief Executive is responsible and accountable to the Council for all aspects of operational management.	Scheme of Delegation to Officers
The Chief Operating Officer (COO) (Section 151 Officer), reports directly to the Chief Executive and is a member of the Corporate Leadership Board. The COO is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control. The governance arrangements for the Council’s Chief Operating Officer comply with the arrangements set	Corporate Leadership Board Scheme of Delegation to Officers

Cheshire East Council – DRAFT Annual Governance Statement 2014/15

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) .	
The Head of Legal Services and Monitoring Officer is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.	Scheme of Delegation to Officers
The Business Planning Process has been undertaken from July 2014 to February 2015. This has included consultation with statutory groups, including the Schools Forum and businesses, as well as other stakeholders. This included consultation with Trade Unions, Town and Parish Councils, and local Chambers of Commerce. The process culminated in the Medium Term Financial Strategy 2015/18 report, presented to Cabinet in February 2015.	Medium Term Financial Strategy 2015/18 (Annex 2 : Business Planning Process - Engagement) (Cabinet, 11th February 2015)
The Medium Term Financial Strategy clearly identifies how resources will be matched against the delivery of priorities established in the Council's Three Year Plan. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Reserves Strategy.	Medium Term Financial Strategy 2015/18 (Cabinet, 11th February 2015) (Council, 26th February 2015)
Quarterly performance reports to Cabinet during 2014/15 covered a range of financial and non-financial performance indicators, supporting the achievement of corporate priorities and objectives	First Quarter (Cabinet, 16 th September 2014) Mid-Year Review of Performance (Cabinet, 11 th November 2014) Third Quarter Review of Performance (Cabinet, 11 th February 2015)
The Constitution includes a Member /Officer Relations Protocol, which was established to encourage effective communication between members and officers.	Member/Officer Relations Protocol in Cheshire East Constitution
The Council publishes a Pay Policy Statement by 31 st March on an annual basis. This provides transparency with regard to the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2014/15 agreed by Council on Council 27th February 2014 and the Pay Policy Statement for 2015/16 was agreed by Council on 26th February 2015 .	Pay Policy Statement for 2014/15 approved by Council 27th February 2014 . Pay Policy Statement for 2015/16 approved by Council 26th February 2015 .
During 2014/15, Cheshire East Council has worked closely with a variety of other delivery partners, such as the Cheshire and Warrington Local Enterprise Partnership (LEP) and Council controlled companies.	Partnership Governance Reviews Cheshire and Warrington Local Enterprise Partnership Everybody Leisure Trust CoSocius

Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The standards of conduct and personal behaviour expected of and between members, staff, associated partners and the community are defined and communicated through codes of conduct and protocols.	Members Code of Conduct and Staff Code of Conduct are included in the Council's Constitution .
The Council uses the Code of Conduct, the Anti-Fraud and Corruption Policy and Whistleblowing Policy to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. Audit and Governance Committee received a "Fraud and Corruption Update Report" outlining progress in implementing key anti-fraud actions to protect the Council's interests and consider local and national developments to counter the threat of fraud and corruption.	Code of Conduct Anti Fraud and Corruption Policy Whistleblowing Policy Fraud and Corruption Update (Audit and Governance Committee, January 2015)
Internal Audit completed a review of 'Core Support Functions' to support this AGS. This review is an important element in ensuring the Council's organisational values are put into practice. It includes a high level assessment of the extent to which agreed policies are implemented. It will also help share best practice, ensure compliance and provide assurance and oversight to the Corporate Leadership Board.	The Internal Audit review will be completed and inform the final Annual Governance Statement as necessary.
The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. The Committee received the Standards Panels and Sub Committee Update Report on 20 th November 2014. This covered all complaints received under the Code from April to October 2014. The Council had approved a new process for dealing with complaints in July 2014. The update report included complaints which had been dealt with under the previous scheme, and those being considered under the new process.	Members Code of Conduct: Standards Panels and Sub Committee update (Audit and Governance Committee, November 2014)
Reviews of Council services have been carried out throughout the year by external inspectorates such as Ofsted and the Care Quality Commission. This includes reviews of services such as Children's Centres, the Pupil Referral Unit and Children's Homes; in some cases these are operated by private providers. Whilst some improvement measures have been identified, the majority of service provision was reported as being delivered to the required standards, and in some instances, delivering over and above. Action plans have been agreed to monitor the implementation of actions where required. There are no matters arising from these reviews which have led to the inclusion of a significant governance	Care Quality Commission Ofsted

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

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
issue in the 2014/15 AGS.	

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

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The Council’s project and programme management approach is now an established part of the governance arrangements and incorporated within the Constitution. This process allows all major change project objectives to be subject to scrutiny and challenge at both development and delivery stage.	A comprehensive PMO Action Plan was endorsed by the Executive Monitoring Board in July 2014. Progress is underway and is being regularly reviewed by the Portfolio Holder for Performance.
<p>The agendas, papers and minutes of Committee meetings form the main mechanism for documenting evidence for decisions and recording the criteria, rationale and considerations on which key decisions are based. These are published on the Council’s website. Declarations of interests made by Officers and Members are routinely recorded in the minutes of Committee meetings.</p> <p>Decision makers are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete, and gives clear explanations of issues and implications on both a financial and non-financial basis. Financial implications of all key decisions are signed off by Senior Finance Staff.</p>	Cheshire East Council – Agendas, Minutes and Reports
The Council assessed the effectiveness of its Internal Audit function by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS). The review completed by the Audit Manager concluded that, although there are areas for improvement, (included in a separate action plan), the internal audit service is being delivered to the required standard.	Internal Audit Annual Report (To be reported to Audit and Governance Committee, June 2015)
The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Some improvements notified in the previous year via an Internal Audit report have been implemented, improve ownership of and enhance the robustness of the declarations process.	Individual Member Register of Interests are published on the Council’s website
The outcome of the Audit & Governance Committee’s self- assessment against the CIPFA guidance was reported in March 2015. There has been an improvement in the Committee’s	Audit & Governance Committee Self Assessment (Audit and Governance Committee, March 2015)

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>performance as a result of previously identified actions being implemented.</p> <p>The Committee assessed as compliant or partially compliant against all areas; in comparison to the previous assessment, there are now more areas of full compliance. Actions required to ensure the Committee becomes fully compliant are identified in the March 15 report.</p> <p>Training for new Committee members will take place on 25th June.</p>	
<p>The COO attends all CLB, Cabinet and Council meetings, clears all Committee decision papers with material financial implications and has direct access to the Audit and Governance Committee and External Audit. The COO meets regularly with the Resources Portfolio holder.</p>	<p>Cheshire East Council – Agendas, Minutes and Reports</p>
<p>The Finance Reporting Centre provides self-service access to a consistent set of well presented, timely, complete and accurate reports on the financial performance of the Council to budget managers and senior officers.</p> <p>As a Commissioning Council, the need for financial information to be presented in varying formats has increased. A new reporting system called Collaborative Planning has been procured to fulfil this requirement and is currently being developed. Collaborative Planning will generate a system based expenditure forecast and will also allow the option for an interactive forecasting from Budget Managers. The system should be available to all Senior Officers and Budget Managers from Autumn 2015.</p>	<p>Financial Reporting Centre</p>
<p>Reserves strategy and forecasts are clearly set out in the Medium Term Financial Strategy (Annex 12) and are monitored through the quarterly Finance updates. Opportunities for strengthening the reserves position are routinely considered as part of the account closure exercise.</p>	<p>Medium Term Financial Strategy 2015/18 (Council, 26th February 2015)</p>
<p>The Council's Whistleblowing Policy is available on its website and intranet site together with an email address. A review against best practice was carried out and reported to the June 2014 Audit and Governance Committee.</p>	<p>Whistleblowing Policy (Audit and Governance Committee, June 2014)</p>
<p>We annually report on our compliance with the Regulation of Investigatory Powers (RIPA) Act 2000 to the Audit & Governance Committee. The report explains the use of the legislation and the arrangements in place to ensure the Council is compliant.</p> <p>An external inspection report on the Council's use of RIPA in May 2013 was very positive and all recommendations have been implemented. The Council is due for re-inspection before the end of 2016.</p>	<p>Compliance with the Regulation of Investigatory Powers Act (2000) (RIPA) (Audit and Governance Committee, January 2015)</p>

Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The COO is a qualified CCAB accountant, with extensive local government experience. The COO is supported by a Finance team which includes a high number of qualified/part qualified accountants and qualified/part qualified accounting technicians. Cheshire East is accredited as training employer by CIPFA (Platinum Status) as well as the AAT and ACCA.	
All staff with access used the Oracle Performance Development module to carry out the performance review process. This provides an assessment against the achievement of objectives, corporate behaviours, and an overall performance rating for the year. It also informs skill development requirements. The 'Towards Excellence' Training Programme is a collection of training courses and development programmes offered to all staff in the Council. Opportunities are also available to participate in training and development courses for qualifications from "The Management Institute of Excellence"	Performance Development Plans
The Council has an established apprenticeship scheme allowing young people to obtain varied work experience whilst training for qualifications. The Council has approximately 50 apprentices at any time, working across the Council and its arms-length operating companies. The Council's scheme was recognised with a "Highly Commended" award from the North West Apprenticeship Awards in September 2014.	CEC Apprenticeships North West Apprenticeship Award
The roles and responsibilities of Councillors in monitoring financial performance are outlined in the Constitution, the Scheme of Delegation and in Committee Terms of Reference.	Constitution Schemes of Delegation Committee Terms of Reference.
Members have completed a "Skills Audit" process which provides information to the Party Whips on the skills and qualifications of their Members. This can then be used in considering appointments to Committees. These will be updated for Members following the May 2015 elections.	

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The "Media Hub" part of the Council's website draws together the latest news and information about the Council, and also provides information on ways of communicating with the Council. It includes links to press releases and the Council's social media channels.	CEC – Media Hub

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>Six Overview and Scrutiny Committees operated during 2014/15, with the Corporate Overview and Scrutiny Committee, made up of the Chair and Vice Chair of the 5 Committee, leading on coordinating the overarching work programme. The statutory responsibilities of the Scrutiny Committees have all been fulfilled during 2014/15.</p> <p>An annual scrutiny report for 2014/15 is in production and due to be reported to Council in July 2015.</p>	<p>Corporate Overview and Scrutiny Committee Jobs, Regeneration and Assets Overview and Scrutiny Committee New Delivery Vehicles and Environment Overview and Scrutiny Committee Health and Adults Social Care Overview and Scrutiny Committee Children and Families Overview and Scrutiny Committee; and Communities Overview and Scrutiny Committee</p>
<p>The Council is committed to openness and transparency. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. Cabinet Meetings continue to be broadcast live on the internet, and are available online to be watched after the event.</p>	<p>Webcast Cabinet Meetings.</p>
<p>Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as required, including statutory consultation processes for areas such as Planning and Licensing.</p> <p>The Council also has a citizen’s consultation panel; “Influence Cheshire East”. The panel is comprised of invited participants who are asked to complete surveys which provide valuable and constructive feedback. By working on an “invitation” basis, the membership is designed to reflect the profile of the borough.</p> <p>In addition, the Council has a “Digital Influence Panel” which is based entirely online and open to any resident of Cheshire East. Members of this panel area also asked to complete consultations and surveys, in many cases these will be the same as those sent to the Influence Cheshire East panel members.</p>	<p>Consultations in Cheshire Licensing Planning</p> <p>Influence Cheshire East</p> <p>Digital Influence Panel</p>
<p>Council employees receive a weekly internal newsletter (Team Talk) in addition to service specific communication and briefings.</p> <p>Information is cascaded from the Corporate Leadership Board through Department Management Team meetings to Team/Unit meetings as necessary.</p> <p>Opportunities for staff to provide feedback exist through line management supervision, team meetings, and an online “Staff Suggestion Box”</p>	<p>CEtranet – ‘Team Talk’</p>