



Proposed Final

Annual Governance Statement

2016/17

Proposed Final for Audit and Governance Committee
28th September 2017

Cheshire East Council – Proposed Final Annual Governance Statement 2016/17

1. Executive Summary and Approval

- 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. The Annual Governance Statement reports on:
 - how the Council complies with its own governance arrangements; (Section 5)
 - how the Council monitors the effectiveness of the governance arrangements; (Section 6)
 - what improvements or changes in governance arrangements are proposed during the forthcoming year. (Section 7)
- 1.3. The Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions and 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 2016/17

- 1.4. 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.
- 1.5. Our assessment of the effectiveness of our governance arrangements for 2016/17 identified governance issues as outlined at the end of section 7. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement 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.

Cllr Rachel Bailey
Leader, Cheshire East Council

Kath O'Dwyer
Interim Chief Executive, Cheshire East Council

2. Introduction

- 2.1. The Accounts and Audit (England) Regulations 2015 require that
- The Council must conduct a review, at least once a year, of the effectiveness of its system of internal control
 - Findings of this review should be considered by the Council
 - The Council must approve an Annual Governance Statement; and
 - The Annual Governance Statement must accompany the Statement of Accounts.
- 2.2. For Cheshire East Council, the Audit and Governance Committee has delegated authority to undertake these duties on behalf of the Council.

3. Scope of Responsibility

- 3.1. 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.
- 3.2. 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.
- 3.3. In [January 2017](#), Cabinet approved and adopted an [updated Code of Corporate Governance](#) that is consistent with the principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives

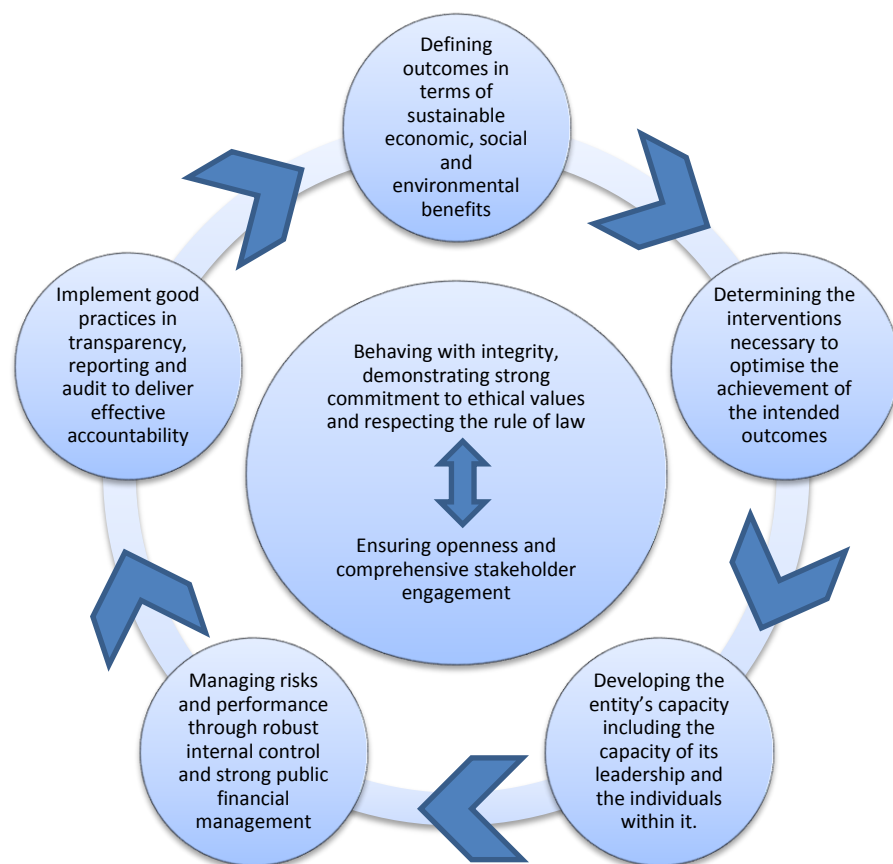
(SOLACE) Framework [Delivering Good Governance in Local Government](#) (2016). These are outlined below and summarised in Figure 1.

- A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity including the capacity of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implement good practices in transparency, reporting and audit to deliver effective accountability

- 3.4. The annual review of effectiveness has been carried out against the updated Code of Corporate Governance. The draft AGS was considered by the June 1st Audit and Governance Committee. It has since been updated, for example, in response to suggestions from Members and Senior Officers, and to ensure the Statement remains current for when the Audit and Governance Committee consider it as Final on 28th September 2017.

- 3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and Chief Executive. It will then be published alongside the Statement of Accounts.

Figure 1: Principles in the Council's Code of Corporate Governance



- 3.6. The Annual Governance Statement provides assurance that:
- governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed improvements are required, action is planned to ensure effective governance in future.

4. The Purpose of the Governance Framework

- 4.1. 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. This covers services provided and managed directly by the Council, and arrangements delivered through external partners, including the Council's wholly owned companies.
- 4.2. 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.
- 4.3. 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 ongoing 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.

5. The Governance Framework

- 5.1. The Council's Code of Corporate Governance now includes examples of how the Council demonstrates the principles in practice and operation. Therefore, to minimise duplication, it is only supplementary examples and features of the Council's governance framework, specific to 2016/ 17 which are set out below.
- 5.2. The Governance Framework described below and also shown in **Appendix 1** has been in place for the year ended 31st March 2017 and to the time of the AGS being approved by Audit and Governance Committee in September 2017 unless otherwise indicated.

Defining outcomes in terms of sustainable economic, social and environmental benefits

- 5.3. Cheshire East Council's priorities are outlined in the Council's Corporate Plan. The updated [Corporate Plan for 2017/18](#) was agreed by full Council on 23rd February 2017. The updated Corporate Plan forms the basis for developing proposals within the Medium Term Financial Strategy (MTFS).
- 5.4. The Corporate Plan recognises that the Council is a commissioning organisation, but that it does not have a fixed ideology on how best to deliver services, and will instead adopt a "best fit" approach for the most appropriate delivery mechanism for our services to enable us to achieve our corporate outcomes.
- 5.5. The [MTFS for 2017/20](#) was also agreed at the February 2017 Council meeting. The report sets out the Council's plan and required funding to ensure Cheshire East remains one of the best places to live in the North West.

- 5.6. Progress against the Corporate Plan is reported to [Cabinet](#) on a quarterly basis. The reports demonstrate performance of the Council aligned to the outcomes defined in the Corporate Plan, and how priorities are being managed to achieve the best results for local residents. Performance reports are also considered by the Overview and Scrutiny Committee who provide comments to Cabinet.
- 5.7. The 2016/17 Final Outturn of Performance was received by [Cabinet](#) on 13th June 2017 and by [Corporate Overview and Scrutiny Committee](#) on 15th June 2017.
- 5.8. Delivery of the Corporate Plan is supported by service plans, team plans and individual performance development reviews. The business planning process has been reviewed during 2016/17 and an updated process has been introduced to support planning for 2017/18, with a view to allowing greater alignment between delivery objectives, performance targets, risk management and the expectations around values and standards set by the organisation.
- 5.9. Cheshire East Council is committed to partnership working. The [Sustainable Community Strategy](#), "Ambition for All", sets out the collective vision for the area and priority actions which need to be addressed over the period to 2025 to achieve that vision. Consultation on refreshing the Strategy, with a view to implementing a revised partnership structure was agreed by Cabinet during 2016/17.
- 5.10. During 2016/17, an officer task and finish group has been using CIPFA's "Aligning Public Services" guidance to map and assess it's working relationships with external organisations, against criteria designed to evaluate the effectiveness of the arrangements and their alignment with delivering the Council's corporate objectives, as well as assessing the governance arrangements of the partnerships.
- 5.11. Once complete, the output from this work will be integrated into individual service plans to review and strengthen specific

arrangements as necessary. The map will form the basis of reviewing the effectiveness of partnership working and the quality of governance arrangements in future.

- 5.12. Continued and increasing financial pressures on health and social care services continue to present governance challenges to the council. These are captured as high scoring risks in the Council's Corporate Risk Register, and have previously been recognised by the Council in the 2015/16 Annual Governance Statement, with the inclusion of "Health and Social Care Integration" as a continuing governance issue. An update on the actions undertaken during 2016/17 to manage this issue is provided later in this Statement.
- 5.13. At March 2015 there were 357 children in care. The numbers increased to 387 in March 2016, reaching 412 in November 2016, and 438 by the end June 2017, and have further risen since that point. Increasing gatekeeping has resulted in the cases which are coming through being more complex and therefore cost more. Although children in care numbers have continued to rise they are still below the average level for similar authority areas.
- 5.14. The 2015/16 outturn for placements reflected an overspend of £2.2m. This pressure was partially addressed through the 2016/17 budget process (in the context of funding limitations) where an extra £1m was allocated to placements (plus £0.3m to fostering allowances). The end result is that the overspend has been reduced but the increase in client numbers and complexity has limited the impact.
- 5.15. The service continues to seek better value for money placements that provide the necessary support for vulnerable children and reduce cost on an individual basis. The service is also considering other ways of reducing pressures through local projects to improve outcomes and linking up with bids for Department for Education innovation funding.

- 5.16. In 17/18 the service received £2.1 million to address the pressures in 16/17. Cabinet has also agreed to collaborate with CWaC, Warrington and Halton to recruit more in house foster carers. We have also commissioned five children's homes to increase local placements and to reduce costs.

Determining the interventions necessary to optimise the achievement of the intended outcomes

- 5.17. The Council's [Constitution](#) sets out comprehensively the rules conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation. In July 2016, the [Constitution Committee](#) received reports on, and approved changes to the Finance Procedure Rules within the Constitution. The revisions were recommended to ensure the Rules were up to date and clarified to ensure consistent interpretation.
- 5.18. As changes are made to the [Constitution](#) it is updated on the Council's website. Previous versions of the Constitution are also available for reference.
- 5.19. During 2016/17 the Constitution Committee has also reviewed, commented and agreed to changes in the Terms of Reference for Committees, including the Audit and Governance Committee and the [Health and Wellbeing Board](#).
- 5.20. At the meeting of the Constitution Committee on [4th August 2017](#), the Committee agreed on the need for a full review of the Constitution. A sub committee of 8 members from the Constitution Committee was agreed. The sub committee will meet on a fortnightly basis. The proposals from the sub committee for a new Constitution will be presented to the Constitution Committee in due course. The Constitution Committee will be asked to recommend the same for adoption by Full Council.

- 5.21. 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.
- 5.22. Decision makers are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete. This is prompted by the report format used, which also prompts clear explanations of issues and implications on both a financial and non-financial basis. Financial and legal implications of all key decisions are signed off by relevant senior officers.
- 5.23. A Special Meeting of Council was convened in [February 2017](#), to consider issues raised in relation to the decision taken by Cabinet in October 2016 on Available Walking Routes to Schools. After extensive discussion and consideration of various Motions proposed, the Council resolved to request that Cabinet defer implementation of the decisions made in October 2016 pending the installation of specified improvements and the receipt of assessments from Network Rail.
- 5.24. The Council facilitated extensive [pre-budget consultation](#), setting out proposals to change for the period 2017/18 to 2019/20. The results of the consultation formed part of the consideration of the [Corporate Plan and Medium Term Financial Strategy 2017/20](#) by Council at its February 2017 meeting.
- 5.25. 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.

Developing the entity's capacity including the capacity of its leadership and the individuals within it

- 5.26. The Constitution also defines the standards of conduct and personal behaviour expected of, and between, members, staff, associated partners and the community, defined and communicated through Codes of Conduct and protocols. The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.
- 5.27. The statutory roles of the Head of Paid Service, Monitoring Officer and Section 151 Officer are described in the Constitution, as are their responsibilities for providing robust assurance on governance, ensuring lawful expenditure in line with approved budgets and procurement processes.
- 5.28. The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Corporate Leadership Team (CLT), receiving assurance reports and updates from across the Council. CLT is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the diagram in Appendix 1.
- 5.29. The Council publishes a [Pay Policy Statement](#) by 31st 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 2016/17 was agreed by Council on Council 26th February 2016.
- 5.30. The [2017/18 Pay Policy Statement](#), recommended to Council on 23rd February 2017 from Staffing Committee includes a number of changes from the previous statement, reflecting a small change in the remuneration ranges for Chief Officers due to a 1% pay increase in

April 2016, and an update on the Government's consultation on a range of wider reforms to exit payments across the public sector.

- 5.31. All staff engage with 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 professional development requirements.
- 5.32. During 2016/17, the Council's Staffing Committee received updates on progress against the Council's "[People Plan](#)". The People Plan updates reported on key HR performance data information, including headcount, turnover, voluntary redundancy and sickness absence data. Progress updates are provided on actions identified to drive performance and improvement across specific, functional areas of the HR Service.
- 5.33. The Staffing Committee also set up a [cross party working group](#) in May 2016, to provide assurance that the wellbeing of staff was aligned to best practice and organisational values. The review carried out by the Working Group included;
 - a desk based exercise to review the Council's policies and procedures, conducted independently by North West Employers
 - independent research by North West Employers to ensure best practice was being followed
 - consideration of the Staff Survey results
 - quick wins being identified and implemented
 - interviews and focus group with staff and views sought of Elected Members through the Working Group
- 5.34. The Working Group concluded that the wellbeing of staff was aligned to best practice and values and that appropriate HR processes are in place for staff to speak out on matters of concern. It suggested that further training should be made available to all staff to reduce

negative behaviours in the workplace. This update was reported back to Staffing Committee in [January 2017](#), and to Cabinet in [March 2017](#).

Managing risks and performance through robust internal control and strong public financial management

- 5.35. An updated Risk Management policy and strategy were adopted by Cabinet in February 2016 and work has been ongoing during 2016/17 to consolidate the implementation of the revised policy throughout the organisation.
- 5.36. [Audit and Governance Committee](#) have received regular risk management update reports, and at the [March 2017](#) meeting, received presentations explaining the highest rated Corporate Risks (CR1, Increased Demand for People Services and CR2, NHS Funding and the Sustainability and Transformation Plan) in further detail.
- 5.37. The Council's Overview and Scrutiny committees were reviewed during 2016/17. Constitution Committee considered proposals at its [November 2016](#) meeting to better align the committee to the Corporate and Cabinet structures.
- 5.38. At the [December 2016](#) meeting Council approved the recommendation from the Constitution Committee to reduce the number of committees from six to four; [Corporate Overview and Scrutiny](#), [Environment and Regeneration](#), [Children and Families](#) and [Health and Adult Social Care and Communities](#). The changes were implemented from 1st January 2017 and will be reviewed in due course. An annual report from Scrutiny is scheduled to be considered by Council in October 2017.
- 5.39. The Council continues to recognise its responsibilities in relation to information governance, ensuring that data held is accurate and available to inform decision making, but stored securely and accessed

appropriately. Training on information governance responsibilities has been taken forward using the “Seeds – Owning and Caring for Information” e-learning module. This was recognised in the [IESE 2017 Awards](#) – the Improvement and Efficiency Social Enterprise.

- 5.40. Preparation for the forthcoming changes to Data Protection legislation is also underway; the [EU General Data Protection Regulation](#) will replace the Data Protection Act in May 2018. A project has begun in 2016/17, identifying the key changes in legislation and to identify the necessary work programme to ensure the Council will be compliant with the new requirements.
- 5.41. The Information Governance Group met regularly throughout 2016/17, managing a programme of proactive improvement and responding to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), Corporate Assurance Group, and the Corporate Leadership Team.
- 5.42. Project activity is monitored through the Executive Monitoring Board and incorporated within the Constitution; Finance Procedure Rules. The Council’s Finance Procedure Rules will always apply should changes in spending requirements be identified.
- 5.43. 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.
- 5.44. The Committee met on four occasions during 2016/17, and received or approved a diverse range of reports and assurances, including;
 - Approval of the Internal Audit Plan and subsequent progress reports, the Committee’s Annual report and the External Audit Plan and progress reports,

- Updates on Risk Management, Treasury Management, Corporate Governance, Information Governance, ASDV Governance and Whistleblowing arrangements
- Annual reports on Customer Feedback (Complaints, Compliments and the Local Government Ombudsman), Compliance with the Regulation of Investigatory Powers Act (RIPA), Compliance with Data Protection Act (1998), Freedom of Information Act (2000) and Environment Information Regulations (2004)

- 5.45. A new Chair, an existing Committee member, Cllr Gordon Baxendale was appointed with effect for the December 2016 meeting. The Audit and Governance Committee’s draft self-assessment against the CIPFA guidance was discussed at the [June 2017](#) meeting.
- 5.46. During 2016/17 the Audit and Governance Committee agreed to, and appointed an [Independent Co-Opted Member](#) to the Committee. The co-option of an independent member to the Committee, in March 2017 is designed to reinforce political neutrality, as well as supplementing the skills and knowledge in the Committee.
- 5.47. In [June 2016](#), Audit and Governance Committee members agreed to recommend to the Constitution Committee, changes to the Whistleblowing Policy and the consequential amendment to the Constitution. These were approved at the Constitution Committee in [July 2016](#).
- 5.48. The 2015/16 Annual Report of the Audit and Governance Committee was received by Council on [20th October 2016](#). The Annual Report for 2016/17 is also scheduled to be taken to the September 2017 Audit and Governance Committee and then taken to Council.
- 5.49. The 2015/16 Annual Governance Statement was approved at the [September 2016](#) meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The

Statement was signed by the Leader of the Council and the Chief Executive and published on the Council's website.

- 5.50. An update on progress made in managing issues raised in the 2015/16 Statement was taken to the Audit and Governance Committee meeting in [December 2016](#). The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements. Progress made in managing issues noted as "requiring further attention" in previous Statements, is covered later in the Statement.

Implement good practices in transparency, reporting and audit to deliver effective accountability

- 5.51. 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 2016/17, received by the Audit and Governance Committee on [June 1st 2017](#) and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2016/17

- 5.52. The Internal Audit Annual Report for 2016/17 has been prepared by the Council's Principal Auditors who currently have management responsibility for Internal Audit as the Corporate Manager Governance and Audit has left the Council at the end of February 2017 following an extended period of absence. Support and sign off has been provided by the Interim Director of Finance and Procurement who has line management responsibility for Internal Audit and the approach has been validated with the Council's External Auditors.

- 5.53. There has been an improvement in the percentage of agreed actions from audit reports implemented between 2015/16 to 2016/17. Whilst there has been significant focus by the Internal Audit team on follow ups during the year, this also reflects senior managers' support of the timely implementation of actions.

- 5.54. Updated Public Sector Internal Audit Standards (PSIAS) have been implemented from 1st April 2017. A self assessment will be undertaken against the updated Standards and to ensure continuing compliance with the standards, any required changes, for example, any updates to the Audit Charter, will be highlighted in a future report to the Audit and Governance Committee.

- 5.55. The Council has a number of wholly owned companies, which operate under the holding company of Cheshire East Residents First Limited (CERF Ltd). The following have been in operation during 2016/17;

- Orbitas
- Ansa
- Transport Service Solutions Ltd. (TSS Ltd)
- Civance
- Engine of the North (EoTN)
- Tatton Enterprises Limited
- The Skills and Growth Company (SAGC)

- 5.56. Everybody Sports and Leisure (ESAR) is a charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. ESAR deliver services for the Council as set out in the operating contract, which is monitored through client commissioning arrangements, including contract management meetings and monitoring visits. The annual performance report for ESAR 2015/16 was reported to Cabinet in [October 2016](#).

- 5.57. Operational overview of services delivered by the CERF Ltd group of companies is affected through client commissioning arrangements,

based upon operating agreements/contracts between the Council and the individual company. Governance mechanisms have broadly operated as expected and include regular meetings with the commissioners, performance reporting and financial challenge meetings. Each company produces a year end set of accounts which are independently audited.

- 5.58. The CERF board met 4 times in 2016/17. Meetings are attended by the Chairs and Directors of the Board, along with Chairs and Directors of the subsidiary companies. Presentations on the financial and operational performance of each company are received. CERF Ltd also provides the opportunity for the consideration of mutual learning points and collaboration between companies.
- 5.59. A review of CERF was commissioned in January 2017 to assess the effectiveness and appropriateness of the existing governance arrangements for the wholly owned companies and to clarify the expectations of CERF as a company in its own right.
- 5.60. The CERF review, undertaken by an independent strategy/business growth consultant, concluded that there are clear opportunities to improve the way the ASDV companies are governed and that this should be addressed in order to ensure that “the whole is greater than the sum of the parts”.
- 5.61. An action plan has been developed to implement the recommendations of the review and address a number of recurring issues and themes that were identified during the review. This includes a fundamental review of the effectiveness and commercial prospects of all of the Council’s ASDV companies and whether the current arrangements provide value for Cheshire East residents and the Council as stakeholder. The Portfolio Holder for Finance will be responsible for the implementation of the action plan.
- 5.62. Following the closure of CoSocius Ltd, ICT services and transactional services have returned to a shared services arrangement, with Cheshire East Council hosting ICT services, and Cheshire West Council hosting Transactional Services. The reversion of services from CoSocius back to the two Councils occurred on time and with no significant disruption to service delivery. Progress on the transfer and operation of services has been reported to the Joint Officer Board and the [Shared Services Joint Committee](#).
- 5.63. Agendas, Minutes and Reports for Cheshire East Council meetings are published on the Council’s website. The website also hosts a schedule of [Officer Decisions and key decisions](#), updated on a monthly basis.
- 5.64. In [March 2017](#), the Constitution Committee considered a report outlining the Council’s experience to date in relation to the recording, webcasting and provision of social media commentary in respect of decision making meetings. It was agreed that the current arrangements for recording and webcasting will cease at the end of the 2016/17 municipal year, and an enhanced audio recording system will be introduced for use in all the Council’s formal decision making bodies.
- 5.65. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council. During 2016/17, inspections and reviews have been carried out by Ofsted, Care Quality Commission, the DVLA, and the General Register Office. These have generally provided positive assurance and endorsement of the services reviewed.
- 5.66. Peer reviews have also been undertaken in the year. The Local Government Association undertook a comprehensive review of the Council’s Communications function. The LGA team included experienced Communications managers from different local authorities, and the Leader of Breckland Council as a Member peer.

- 5.67. The outcome of the review was a number of recommendations that are now being implemented. These will ensure that the Council has internal and external communications functions that are fully aligned with the Council's strategy and priorities moving forwards and that will deliver effective communications in the most cost-efficient and timely manner possible.
- 5.68. An Adult Safeguarding peer review was carried out at the start of May 2017, by colleagues from Sefton Council. The onsite review has been completed, the findings have been discussed with the Adults Service Management Team and work on implementing actions is already underway. For example, a permanent Head of Adult Safeguarding has been appointed, there is a new approach to the Local Safeguarding Adults Board, with a shared Chair across Cheshire East and Cheshire West and Chester and a new scorecard, looking specifically at safeguarding issues in social care practice and the risk stratification of care provides is to be introduced. An update on the review will be presented to the Health and Adult Social Care and Communities Overview and Scrutiny Committee in due course, when responses to all of the actions have been agreed.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

- 5.69. 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. Complaints are considered by the Monitoring Officer and an Independent Person. Complaints can be received about Cheshire East Councillors, co-opted members and Town and Parish Councillors.
- 5.70. The promotion of high standards of conduct, and of strong ethical governance among elected members, co-opted Members, and Town and Parish Council Members within the Borough, is critical to the

corporate governance of the authority and to the Council's decision making process across the organisation.

- 5.71. During 2016/17 the Audit and Governance Committee received two update reports from the Monitoring Officer, advising on the number of complaints received under the Code against each category, the paragraph(s) of the Code alleged to have been breached, and the outcome of each complaint, once completed.
- 5.72. The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Declarations of interests are also a standing item on committee agendas. A register of interests for each [Member](#) is available online.
- 5.73. In February 2017, Constitution Committee considered a report on various changes required to be compliant with the new JNC handbook for Chief Executives which reflected changes made to the statutory employment protections for the Head of Paid Service, Chief Finance Officer (the Section 151 Officer) and Monitoring Officer who, together, were referred to as the "Protected Officers".
- 5.74. The report also recommended changes to the Constitution to comply with the new requirements. The changes were required to comply with the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 and followed the issuing of the revised JNC handbook in October 2016. The report and its recommendations were agreed by Council in [February 2017](#).
- 5.75. During 2016/17, the Chief Operating Officer had Section 151 responsibilities and was 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 complied with the arrangements set out in CIPFA's

Statement on the Role of the Chief Financial Officer in Local Government (2010).

- 5.76. The Director 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.
- 5.77. In light of an ongoing police investigation, “Operation Stones” into the awarding of contracts to Core Fit (recognised as a governance issue in the 2015/16 AGS), the suspension of the Chief Executive and the Director of Legal Services the Council has put temporary senior management arrangements in place. These include the appointment of the Executive Director for People and Deputy Chief Executive as Acting Chief Executive and the appointment of an interim Director of Finance and Procurement (Section 151 Officer) and acting Director of Legal Services (Monitoring Officer).
- 5.78. 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.
- 5.79. The Council’s [Whistleblowing Policy](#) is available on its website and intranet site together with an email address, and details how a referral can be made. A report on the effectiveness of the Council’s whistleblowing arrangements and a breakdown of the number of reports received in 2016/17 will be reported to a future Audit and Governance Committee.

Ensuring openness and comprehensive stakeholder engagement

- 5.80. The Council has stated its commitment to being open, honest and accountable regarding all decisions, actions and outcomes. The ‘Transparency Project’ has continued to make significant progress to

achieve this aim and the Council has achieved compliance with all mandatory requirements of the [Local Government Transparency Code 2015](#) and the Freedom of Information Act 2000, which provides an outline Publication Scheme.

- 5.81. The Council is now [publishing information](#) over and above mandatory requirements. Work is continuing to identify frequently requested datasets with the aim of proactively publishing this data. Some service areas such as Business Rates, Council Tax and Waste Services are already doing this.
- 5.82. The Council’s [open data portal](#) will continue to facilitate the process of uploading data and make it available in meaningful, easily accessible and re-usable formats for the public. It will also be of use internally and should make access to data easier and faster for employees and Members. A communications plan has been established to promote the online portal both internally and externally over the forthcoming year.
- 5.83. The majority of Council meetings allow for members of the public to speak, and are held in public. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. During 2016/17 Cabinet Meetings continued to be broadcast live on the internet, and were [available online](#) to be watched after the event.
- 5.84. 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](#). Information is available on the Council’s website in relation to [current consultations](#) and the feedback received on [previous consultations](#) and the subsequent decisions made, is also available.
- 5.85. 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.

- 5.86. 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 are also asked to complete consultations and surveys, in many cases these will be the same documents as those sent to the Influence Cheshire East panel members.
- 5.87. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. Information is cascaded from the Corporate Leadership Team meeting through Department Management Team meetings to Team/Unit meetings as necessary.
- 5.88. Opportunities for staff to provide feedback exist through line management supervision, team meetings, and an online “Staff Suggestion Box”. Members of staff are encouraged to participate in the “Making a Difference” recognition scheme, nominating colleagues for an instant recognition “Made my day” message, or for nomination in the monthly and annual awards. The recognition panel itself includes volunteers from across the organisation.
- 5.89. Council services use various forms of [social media](#), including Twitter, Facebook, YouTube and Flickr to engage and inform communities and stakeholders. The main Council website has a [Media Hub](#) page, where a variety of information about the Council is published. The Communications team also provide related media releases, where appropriate. [Statutory public notices](#) are also shared online.

6. Review of Effectiveness

- 6.1. 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.
- 6.2. Examples of the sources of assurance considered in preparing the Annual Governance Statement include:
- **Line Management** - Assurance on individual line managers’ areas of responsibility are 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 and peer reviews of the Council also provide assurance which is considered in preparing the Statement.
- 6.3. The review has considered the effectiveness of the Council’s governance arrangements against the principles set out in the revised Code of Corporate Governance. Overall, it is considered that the Council’s governance arrangements continue to be fit for purpose in accordance with the governance framework. Significant governance issues arising in 2016/17 have been identified in Section 7.

- 6.4. Table 1 below sets out the progress made against the issues identified previous Annual Governance Statements, which have been monitored through 2016/17. This includes;
- Items included in the 2013/14 Annual Governance Statement, which were not identified as significant governance issues, but required further attention during 2014/15.
 - Emerging issues identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure they did not become significant governance issues
 - Issues identified in the 2015/16 Annual Governance Statement, including the two issues recognised as “Continuing Governance Issues”.
- 6.5. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon in updates to Audit and Governance Committee, most recently in [December 2016](#) and are not repeated here. An update on progress since the December 16 update is provided.
- 6.6. Although they have been identified in previous Statements, the issues of “Council Funding” and “Health and Social Care Integration” have been included again as continuing areas of concern issues for 2016/17 in Table 1. This is to recognise the continuing and increasing significance of these two specific areas, at national and local levels.

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

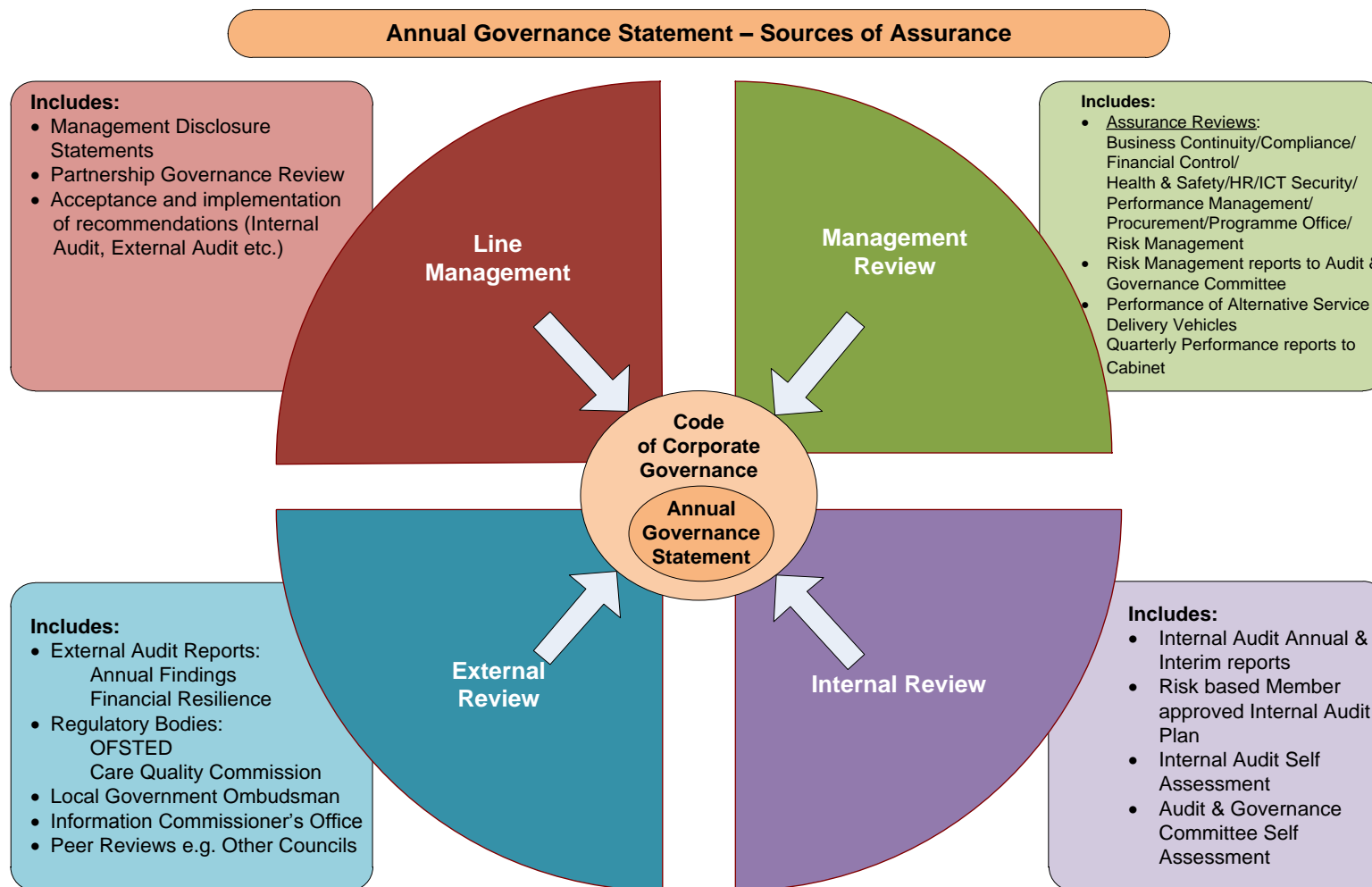


Table 1 – Progress against issues identified in previous Annual Governance Statements

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p>Business Continuity Planning <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p> <p>Current and tested business continuity plans are not consistently in place across all service areas.</p>	Director of Legal Services.	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	<p>A Business Continuity Action Plan is in place and aims to provide the following outcomes:-</p> <ul style="list-style-type: none"> to identify the impact of losing key business processes, the likelihood of occurrence and recovery requirements to identify suitable strategies to offset the risk to critical business processes to ensure the organisation has fit-for-purpose plans and procedures in place to enable it to respond to any incident to ensure staff are made aware of the business continuity management process and are able to perform their roles in an emergency to ensure business continuity strategies remain up to date and fit for purpose and that guidance is available to ensure the consistency of approach to ensure the business continuity management system is continually improved <p>Business Continuity is recognised as a risk on the Corporate Risk Register and is on the risk watch list. The risk is articulated as the risk “that an internal or external incident occurs which renders the Council unable to utilise part or all of its infrastructure (such as buildings, IT systems, resources, etc.) such that the Council is unable to deliver some, or in extreme cases all of its services; and putting residents at risk for a period of time, and resulting in a reduced achievement of Corporate Plan outcomes over the longer period.”</p> <p>The action plan should reduce the impact of this threat materialising as the various objectives within the action plan</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			are implemented. Interdependencies with other corporate risks have been recognised such as Information Security and Cyber Threat, Increased Major Incidents, and Partnership Working.
<p>Local Economic Partnerships <i>Identified in 2013/14 AGS as requiring further attention in 2014/15</i></p> <p>Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.</p>	Executive Director of Place	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.	<p>LEPs are required to adopt a Local Assurance Framework (LAF) to ensure that the necessary systems and processes are in place to manage delegated funding from Central government budgets.</p> <p>The Cheshire and Warrington LEP (CWLEP) has an LAF in place which is based on the National Assurance Framework (government guidance on Assurance Frameworks from DCLG). This ‘Growth Programme Assurance and Accountability Framework’ has been developed as a mechanism for the Accountable Body, the CWLEP and key stakeholders to be clear about responsibilities and to ensure good governance.</p> <p>The National Assurance Framework was updated by DCLG in 2016 to improve assurance, transparency and value for money in funding decisions. The CWLEP has reviewed the current arrangements to comply with the new standard and this revised version was agreed and signed off by the LEP Board and Cheshire East Council (CEC) S151 Officer representing the Accountable Body on 28 February 2017.</p> <p>The CWLEP Board has ultimate responsibility for setting the corporate and strategic direction of the CWLEP as defined in its Articles of Association (Company No: 04453576) and delegated decision making and authority is set out in the CWLEP’s Scheme of Delegation. The Board membership was recently revised under the Nolan Principles (ethical standards for Public Office) with new appointments made to widen the</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>business composition and scale (including voluntary and social enterprise and SME sectors). All three Local Authorities are represented on the Board. The Leader of the Council attends on behalf of CEC and is briefed on the agenda items prior to the meeting with specific reference to any items impacting on CEC business.</p> <p>Some elements of operational and strategic responsibility are discharged through a series of formal Board sub-Committees each chaired by a member of the CWLEP Board and each with its own defined Terms of Reference. CEC has representation on all these sub-committees and minutes of all meetings are reported through the CWLEP Board.</p> <p>One of the new requirements from the review of the LAF is to have provision for independent scrutiny in place to provide checks and balances in the operation of the partnership. Using guidance from DCLG and best practice from other LEPs the CWLEP Board approved the formation of a new Scrutiny Committee to be made up of a representative from each of the 3 LA's (non-cabinet members) and 2 representatives from the private sector.</p> <p>The role of the Accountable Body is set out in the CWLEP's LAF and is further detailed in a formal letter between the CWLEP and the S151 Officer. A Partnership Agreement is in place along with protocols to differentiate between the Council as Accountable Body (receiving and accountable for Government grant funds on behalf of the CWLEP) and the Council as the beneficiary of CWLEP grant funds (as a project deliverer).</p> <p>Risk management is the responsibility of the Performance and</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>Investment Committee and internal financial controls are managed by the Finance and Audit Committee. The Council's S151 Officer sits on both these committees where matters relevant to the Accountable Body role will be discussed. This includes approval of projects to be supported by Local Growth Fund grant (i.e. proper use of capital resources), and use of Core Funding grant to support the operational running costs of the LEP (i.e. use of revenue funding and assurance of local match funding in the LEP's budget).</p> <p>CWLEP is a non-statutory body and, as such, is not subject to the Freedom of Information Act 2005 or the Environmental Information Regulations 2004. CEC will hold information about funding and payment decisions relating to the CWLEP. This is unlikely to be classified by the Information Commissioners Office as CEC information and will therefore not be subject to FOI. Any requests to CEC will be reviewed within the normal accountable body procedures.</p> <p>The CWLEP also has a whistleblowing procedure which is monitored by the organisation's Finance and Audit Committee. The Accountable Body will be made aware of any whistleblowing submissions to the CWLEP.</p> <p>Internal Officers from CEC Finance, Audit, Legal and Place continue to meet periodically as a group to manage the operational aspects of our Accountable Body role and monitor and review membership of CWLEP sub-committees and working groups to ensure CEC is best represented at all levels.</p>
Project Management <i>Emerging issue identified in the 2013/14 Annual Governance Statement which</i>	Chief Operating Officer	The Council's revised project and programme management approach is now an established part of the governance	The Council has continued to strengthen and embed governance arrangements in relation to project and programme management in 2016/17.

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<p><i>required further attention and monitoring to ensure it did not become significant governance issues</i></p> <p>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 plans; and • 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>framework. Through its member led Executive Monitoring Board (EMB), all major change programmes and projects are subject to scrutiny and challenge at both development and delivery stage. The Council's new scrutiny committees also have an overview and help to highlight any issues and mitigate this risk.</p>	<p>Amendments to the Council's Finance Procedure Rules came into effect on 1st August 2016 which formally aligned the Constitution with the Executive Monitoring Board's revised Terms of Reference and extended remit. The membership of EMB has also been expanded from two Cabinet Members to three, and enhanced by the involvement of the Executive Directors of People and Place.</p> <p>The strategic review of Corporate Services has seen the Project and Programme Management and Business Improvement teams come together under the overall banner of Professional Services and has subsequently moved under Finance and Performance- this will further bolster the critical relationship between the business planning cycle and the effective governance and implementation of projects, this new team, managed by the Senior Manager (Projects and Change) continues to drive effective project and change management in the Council and its partner organisations.</p> <p>The expertise of qualified and experienced Project Managers is deployed across major change projects to ensure projects deliver on time, to cost and to expected governance standards. Project management processes have been standardised, including monitoring and reporting; monthly highlight reports and project dashboards have been utilised to ensure performance can be reported as part of the quarterly performance management framework, with escalation to CLT, EMB and Cabinet as and when required.</p> <p>Embedded and established project gateways ensure any deviations from the approved business case are articulated and escalated to the appropriate level. Continuous improvement is embedded through the Programme</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>Management Office (PMO) Action Plan which has been audited, reviewed and refreshed in October 2016.</p> <p>Progress has continued on implementing the actions contained within it, including the collation and reporting of quarterly performance indicators for projects and programmes in 2016/17 for the first time, continued training provision and updated guidance on the Council's Centranet and the further development of a robust performance management framework for linking projects to other Council activities through the Business Intelligence Programme.</p> <p>In January 2017 a new Professional Services Management team was put in place. A priority has been to undertake a review of the current arrangements.</p> <p>This review has incorporated the current operation of all stages of projects and programme, including EMB. In addition it is important to note that the budget setting process and associated team planning has required a more disciplined approach to the initiation of projects, which will support the delivery during the year. The Senior Manager (Projects and Change) also carries out additional reviews, in addition to the project health checks commissioned by EMB on key strategic projects and programmes to provide further reassurance and support.</p>
New Service Delivery Models <i>Emerging issue identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure it did not become significant governance issues</i>	Chief Operating Officer	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 new commissioning plans and new contracts – and the benefit to residents – are fully achieved.	<p>A review of CERF was commissioned in January 2017 to assess the effectiveness and appropriateness of the existing governance arrangements for the wholly owned companies and to clarify the expectations of CERF as a company in its own right.</p> <p>The CERF review, undertaken by an independent</p>

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<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>strategy/business growth consultant, concluded that there are clear opportunities to improve the way the ASDV companies are governed and that this should be addressed in order to ensure that "the whole is greater than the sum of the parts".</p> <p>An action plan has been developed to implement the recommendations of the review and address a number of recurring issues and themes that were identified during the review. This includes a fundamental review of the effectiveness and commercial prospects of all of the Council's ASDV companies and whether the current arrangements provide value for Cheshire East residents and the Council as stakeholder. The Portfolio Holder for Finance will be responsible for the implementation of the action plan</p>
<p>Review of Contract Awards re Core Fit</p> <p><i>Recognised as a governance issue in 2015/16</i></p> <p>Following concerns raised about the awarding of contracts by the Council, the Council's Internal Audit team were asked by the Chief Executive to consider the issues raised as part of an ongoing audit of the Council's procurement arrangements. This work was underway in the third quarter of 2015/16. However, in late December 2015, following the launch of a police investigation by Cheshire Constabulary regarding alleged misconduct in public office, the internal audit work was suspended, pending the outcome of the</p>	Director of Finance and Procurement	<p>A number of improvements increasing the transparency of the Council's procurement arrangements have already been made. For example;</p> <ul style="list-style-type: none"> • Waivers and Records of Non Adherence (WARN) forms are reported individually and in full to the Audit and Governance Committee. • The Audit and Governance Committee receive reports on the quantity and reasons for Waiver's and Non Adherences (WARNs) approved. • The Council has both introduced and strengthened the operation of the Procurement Board, with membership of the Council's Portfolio Holder for Corporate Policy and Legal Services. • The Audit and Governance Committee 	<p>Audit and Governance Committee received reports (thematic report and individual review) on WARNS at the March, June, September and December 2016 and the March 2017 meetings.</p> <p>Procurement Board has continued to meet and progress improvement in procurement practices across the Council.</p> <p>Audit and Governance Committee received an update report on the findings of the Cardiff Checks which have been carried out to date by the Anti-Fraud Member/Officer Sub Group at the December 2016 meeting and agreed that the assurance received from this work provided them with assurance around procurement. It was agreed that the checks would continue.</p> <p>The Contracts Register update has enabled earlier engagement on re-procurement exercises.</p>

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police investigations which is ongoing at this time. The internal audit work will continue once the police investigation concludes.		<p>Anti-fraud Member/Officer Sub Group carries out sample checking on procurement activity ahead of each meeting and reports back on any non-compliance issues; there have been none found to date.</p> <ul style="list-style-type: none"> The Council has developed its Contracts Register to allow an earlier assessment of those services/functions that need to be re-commissioned. The Procurement Team have reduced the threshold to £5,000 for requisitions that have to be approved, in order to prevent procurement activity being undertaken without appropriate approvals. A £5,000 expenditure report is run monthly and sent to CLT members to scrutinise. From this a sample of transactions are selected and managers asked to provide details of budgetary controls applied. National reporting requirements include £500 spend report which is completed monthly. Contracts awarded over £5,000 to be reported quarterly. Invitation to tenders and quotes above £5,000 to be reported quarterly. 	<p>Over £500 expenditure reports continue to be published, now available with other data sets as part of the Council's "Open Data" site; https://opendata.cheshireeast.gov.uk/</p> <p>The Police investigation from December 2015 in relation to procurement activity is ongoing. It was agreed at the December 2016 meeting of the Audit and Governance Committee that a new piece of work should be completed to provide assurance to both the Chief Operating Officer and Members that the arrangements currently in place to manage procurement activity are appropriate and effective.</p> <p>Having received confirmation from the Senior Investigating Officer with TITAN, who is leading the investigation that the proposed audit would not impact upon the ongoing police work the audit commenced during March 2017 and has continued into the new financial year. The outcomes of this audit will be reported to a later meeting of Audit and Governance Committee.</p>
Council Funding <i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i>	Director of Finance and Procurement	The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.	<p>Cheshire East Council met on 23 February 2017 and agreed the Medium Term Financial Strategy Report for 2017/18 to 2019/20.</p> <p>The report set out the strategic overview for each outcome</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p>Ongoing and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within the future level of available resources.</p>		<p>Senior accountants are fully engaging, with government and professional bodies (such as CIPFA, SCT, RSN and UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended to ensure that issues relevant to Cheshire East Council are being discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligned Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework</p>	<p>and more details of the actions each service area will be taking over the next three years to deliver the refreshed Corporate Plan Outcomes. This took account where possible of the feedback received from all stakeholders during the consultation period following the publication of the Pre-Budget Consultation document. A separate document detailing all the feedback received was taken to the same Council meeting in February.</p> <p>All proposals to vary the revenue or capital budgets were detailed in the Pre-Budget Consultation document and the MTFS. Supporting business cases, with equality assessments, were also produced for each proposal</p> <p>The report set out forecasts on how the Council's expenditure will be balanced with funding from Government grants, Business Rates and Council Tax over the three years 2017/18 to 2019/20.</p> <p>The proposals in the Pre-Budget consultation document included the option to increase Council Tax by up to 3.99% each year, but the government settlement in December 2016 recognised that social care costs were in fact a national issue, that required greater focus. The consultation feedback and rising in-year costs led to the decision to increase Council Tax by 4.99% overall in 2017/18 with 3% of this increase directly funding Adult Social Care.</p> <p>Overall it is notable that net funding from Council Tax and Business Rates has increased to 88% in 2017/18 from 76% in 2014/15.</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
<p>Health and Social Care Integration</p> <p><i>Recognised as a Continuing Governance Issue in the 2015/16 AGS</i></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 two acute providers and one Community and mental Health provider 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 the initial aims of the work programme being to reduce non-elective admissions to hospitals and Delayed Transfer of Care (DToC) locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators.</p>	<p>Executive Director of People</p>	<p>The BCF Governance Group, overseen by Cheshire East's Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East's plans for BCF in 2016/17. The expected status is "approved with support".</p> <p>At the time of submission, there are were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> • Final agreement for expenditure plans • Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group • Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&E Delivery Boards). <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved by the Health and Wellbeing Board.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained</p>	<p>The newly published national policy framework for the Improved Better Care Fund (IBCF) now incorporates integration as a key ambition. Whilst this IBCF requirement remains, and is likely to do so until at least 2019, there have been other significant developments regarding health and social care integration that the council may wish to consider and monitor as part of its governance. These include, most prominently, the development of the Cheshire and Merseyside Sustainability and Transformation Partnership (STP) - Five Year Forward View Delivery Plan, which was submitted to NHS England in October 2016. This plan is the main strategic driver regarding the transformation of health services and integration with social care. However, this is a NHS driven initiative not Local Government.</p> <p>The implementation of the plan has the potential to have significant implications for Cheshire East residents' healthcare and on the way that the Council works with NHS partners locally and within the rest of Cheshire, Wirral and Warrington. It also reiterates the importance of progressing the future model of the two transformation programmes in Cheshire East: Caring Together in Eastern Cheshire Clinical Commissioning Group (CCG) and Connecting Care in South Cheshire CCG.</p> <p>To ensure ongoing awareness of the proposals and progress with implementation, the Council attends the STP Senior Responsible Officer's System Management Group and the Cheshire and Wirral Local Delivery System meetings, but has no formal mandate for the Council either politically or from Chief Officers. However, the Officer attending is able to provide advice regarding when and how best to engage with the Council and to remind senior NHS colleagues to consider</p>

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Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
		<p>three key “medium” ranked recommendations;</p> <ul style="list-style-type: none"> • Failure to identify and effectively manage BCF risks • CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated. • Poor Information Governance <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group is to establish any gaps and allocate necessary actions.</p>	<p>the wider system implications of their proposals. The Cheshire East Health and Wellbeing Board is also receiving updates on the progress of the implementation plans and held a joint meeting with the Cheshire West and Chester and Wirral Health and Wellbeing Boards in February 2017.</p> <p>It should be noted that 80% of the STP’s proposed changes will be delivered through the Connecting Care and Caring Together (and West Cheshire Way in Cheshire West) transformation programmes, all of which have Council Officers involved in the detailed planning. There is also an Officer Working group involving colleagues from Cheshire West and Chester, the four Cheshire CCGs and Cheshire East, looking to help drive forward the integration agenda across the Cheshire footprint and where appropriate, adopt a consistent approach to service redesign, for example in developing a single specification for integrated neighbourhood teams.</p> <p>Any formal service redesign or change proposals will be required to go through the usual consultation and overview and scrutiny process. The Council’s Corporate Communications Team is also engaged with the NHS communications support team to ensure there is appropriate sharing of information. Regular meetings are held between the Acting Director of People and the Accountable Officers of the CCGs and with senior officers from NHS England.</p> <p>The delivery of the Five Year Forward View will continue through until 2020 and will thus require ongoing engagement and involvement from the Council over the next three years.</p> <p>Cheshire East’s BCF plan for 2016/17 was fully assured by NHS</p>

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			<p>England and ADASS and the previously reported areas requiring work were met within the required timescales to achieve this. Implementation of the 2016/17 plan is now complete. A programme of evaluation of all BCF schemes was undertaken and has informed the drafting of the 2017 – 2019 Plan in collaboration with the two CCGs. This is a two year plan in line with the Clinical Commissioning Groups' two year planning requirements for this period. The Narrative Plan was submitted to NHS England on 11th September. In summary it's aims are:</p> <p>Cheshire East Better Care Fund Vision...</p> <ul style="list-style-type: none"> • Centre all care around the empowered individual, their goals, communities and carers • Have shared decision-making and supported self-care, family and community care as integral components to all care • Teams built around a person's needs and journeys, jointly accountable for outcomes and joint responsibility for continually improving care • Focus its attention on health promotion, pro-active models of care and population level accountability and outcomes • Continue to tackle health inequalities, the wider causes of ill-health and need for social care support e.g. poverty, isolation, housing problems and debt • Have a strong clinically led primary care and community care system offering a comprehensive modern model of integrated care at scale • Be delivering fully integrated and co-ordinated care, 7 days a week, close to home with a focus on the frail elderly and those with complex care needs

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			<p>Supported by:</p> <ul style="list-style-type: none"> • System re-design of care – co-produced with our public and our workforce • Strengthened and renewed primary care • Shared information systems across health and social care so that people will only ever have to tell their ‘story’ once • New contracting approaches that facilitate costs being moved from the acute sector to the community and that promote collaborations across multiple providers • Joint commissioning utilising the Better Care Fund and other approaches • A range of new roles to support models of care across traditional providers in the public, private and voluntary sector <p>To achieve:</p> <ul style="list-style-type: none"> • Accountability for all health and social treatment and care to the public • High quality, safe care and a robust system of continuous improvement <p>Through the delivery of ‘Better Care’ in Cheshire East 2017-19 to facilitate integrated health and social care, residents in Cheshire East will benefit from an ongoing programme of system-wide improvements that will provide care where possible at community level, reducing the need for inpatient stays and where this is not possible ensuring that time spent in hospital is minimal and follow-up care and support which is joined-up and meets a person’s needs.</p>

Cheshire East Council – Proposed Final Annual Governance Statement 2016/17

Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Final AGS 2016/17
			<p>Integrated Communities: residents will be supported within their communities by employing a mind-set that builds on the principle of community capabilities rather than deficits.</p> <p>Integrated Case Management: residents will receive a more co-ordinated experience of care and support services through the use of a single point of access and our support of seven-day working.</p> <p>Integrated Commissioning: services commissioned for local residents will be based upon strong evidence and proven effectiveness and commissioned as part of a whole system approach to commissioning.</p> <p>Integrated Enablers: On Cheshire East geography this enabling work-stream supports the changes that will enable long-term integration</p> <p>In addition, by the end of 2017/18.</p> <ul style="list-style-type: none"> • Reablement services in Cheshire East will have become fully integrated to address both physical and emotional needs, and will provide an improved outcome for those in Cheshire East. This will be evidenced by an improved reablement score under National Metric 3 (Improved reablement services). • Carer's services will be integrated, providing a single solution for support, which supports wellbeing, de-escalates crisis and maintains quality of life for both the person caring and the person being cared for. This will be evidenced under an improved score under National Metric 3 (Improved reablement services). • Assistive technology reviews start to deliver technology enabled care, reducing the need for people to receive their care in the hospital setting and enabling them to self-care from home. This will be evidenced by an

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			<p>improvement in National Metric 2 (Reducing admissions to residential and nursing care).</p> <ul style="list-style-type: none"> Improved Better Care Funded (iBCF) schemes will provide increased capacity and capability in the community; this is evidenced by a reduction in those requiring residential and nursing home care. <p>Improved use of data locally will mean that the Better Care Fund planning will react to trends much faster than previously, providing a much faster and evidence-based planning process.</p>

7. Significant Governance Issues

7.1. **Table 2** below sets out the significant governance issues the Council recognises as arising during 2016/17. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need actioning and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Assurance Group during 2017/18, and reported on to Corporate Leadership Team and Audit and Governance Committee.

Table 2 - Significant Governance Issues arising in 2016/17

Description	Actions	Responsibility
<p><u>Air Quality Data</u></p> <p>During the preparation of the 2015 Air Quality Annual Status Report, anomalies were discovered between the data submission. Initial investigation identified further anomalies, which also appeared to have affected the previous year's submission.</p> <p>The Chief Executive requested a review of the data returns and the processes in place for monitoring, recording and disseminating air quality data to be undertaken by Internal Audit. This was completed and reported during October 2016, and confirmed that the figures submitted were incorrect and identified improvements to the monitoring process.</p>	<p>One of the recommendations of the Internal Audit report was for further investigation to be carried out with a view to understanding the cause of the errors, to assess the full impact and implications of the errors made, and identify any actions required to ensure that the Council is fulfilling its statutory responsibilities with regards to air quality.</p> <p>The investigation into the Council's monitoring and reporting of Air Quality has been completed. The high level findings reported that ;</p> <ol style="list-style-type: none"> 1. Serious errors have been made in the council's air quality data for 2012, 2013 and 2014. It is clear that these errors are the result of deliberate and systematic manipulation of data from a number of diffusion tubes. 2. The council has been exposed to unacceptable risks to the security of its air quality data as a result of failings within the service to ensure that adequate processes, procedures and systems were in place to manage this data effectively. 3. These errors have caused a number of serious problems for the council. These are as follows: <ul style="list-style-type: none"> • Incorrect data has been submitted to Defra in an annual statutory return, which will need to be corrected and published in the public domain. • These errors and other methodological issues have resulted in a 	<p>Executive Director - Place</p>

	<p>number of deficiencies in relation to Air Quality Management Areas (AQMA) requiring adjustments to be made to the detail of a number of AQMA.</p> <ul style="list-style-type: none"> • The errors may have affected the Detailed Assessments (DA) carried out to determine whether an AQMA should be declared. • The errors have impacted on Air Quality Assessments undertaken as part of the process of considering planning applications. <p>4. The data sets that are aligned to the diffusion tubes that were and are now known to be altered are spread over a wide geographical area, which implies that the manipulation was not motivated by a wish to favour specific sites.</p> <p>5. Phase 2 of the external investigation included a review of planning applications where publication of revised air quality data may have affected the planning decisions. The findings indicate that such planning applications are in the following towns:</p> <ul style="list-style-type: none"> • Nantwich • Congleton • Crewe • Holmes Chapel • Sandbach <p>The statutory return to Defra for 2016 (Annual Status Report) has been reviewed and quality assured as part of the investigation. The council will shortly be in a position to seek the approval of the Director of Public Health for both the 2016 and 2017 ASR submission to Defra. Both the 2016 and 2017 reports are based on corrected data and include actions as recommended by the investigation.</p> <p>The Air Quality team have reviewed their internal processes and procedures to ensure that the risk of data adjustment is minimised. There are now a number of quality control measures in place.</p>	
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	<p>A review of how other statutory data sets are compiled and reported will be undertaken by Internal Audit later in the year.</p> <p>On 19th September, the Council confirmed that concerns over the manipulated air quality data had been referred to Cheshire Constabulary.</p>	
<p><u>Designated Statutory Officers/Investigation and Disciplinary Committee</u></p> <p>During Q4 concerns relating to officer conduct were received by the Deputy Monitoring Officer. In accordance with the processes put in place by Council in February 2017 to deal with such matters (see paragraphs 5.77 and 5.78 above) those concerns were then considered by the Council's Investigation and Disciplinary Committee (IDC). Those processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review.</p>	<p>The Investigation and Disciplinary Committee (IDC) processes are still ongoing but a decision has been taken by the IDC to suspend the Chief Executive, and subsequently the Director of Legal Services and Monitoring Officer, whilst an investigation is undertaken. The decision to suspend is a neutral act and will be kept under review. The Council will continue to act appropriately to deal with any matters arising from those processes to ensure continuity of service provision and organisational governance.</p>	<p>Acting Chief Executive</p>
<p><u>Berkeley Academy Car Park</u></p> <p>In April 2016, an undertaking was given to The Berkeley Academy by the Council, to make a contribution of £70,000 in support of a scheme for "off highway parking", provided the Academy provided at least 50% in match funding.</p> <p>This undertaking was given ahead of the conclusion of the work of a Task and Finish Group on Safer Parking for Communities from the Corporate Overview and Scrutiny Committee. The findings and recommendations of this Group were to inform policy development and a future programme of work.</p> <p>Therefore, the commitment made to the Academy was not progressed in accordance with any approved policy or budget, and was given prior to the conclusion of an existing review.</p>	<p>Cabinet considered a report at its meeting on 22nd August 2017, which sought authority for the award of grant funding for £70,000 to be given to the Berkeley Academy for the purposes of piloting a safer drop off facility at the school. The report also outlined an approach to the formation of a policy to enable similar proposals to be considered and address congestion at other primary schools.</p> <p>Cabinet authorised the Executive Director of Place to make the grant award in order to inform the development of Council policy in the area. In addition, Cabinet authorised the Executive Director of Place, in consultation with the Director of Legal Services and the Portfolio Holder for Corporate Policy and Legal Services to dispose of any requests received for reimbursement of additional expenses reasonably and properly incurred by the Academy which it is considered the Council may be liable to reimburse flowing from action taken in connection with the undertaking given.</p> <p>On 19th September, the Council confirmed that concerns over the allocation of public funds in making a grant to Berkeley Academy had been referred to Cheshire Constabulary</p>	<p>Executive Director - Place</p>

<p><u>Sleep In Arrangements</u></p> <p>The case law development in relation to sleep in arrangements is a complex national issue, which we are seeking to clarify and resolve. We were originally alerted to a potential breach of the national minimum wage regulations following a national employment appeals tribunal case towards the end of 2013.</p> <p>However, the case law and regulations were contradictory at that time. Legal advice was that we should continue to monitor case law developments but that there was no clear legal basis for action.</p> <p>It was not until April 2017, following the outcome of the national Mencap appeal that the employment appeals tribunal set out detailed tests to be applied on a 'case by case' basis, to determine compliance with the National Minimum Wage and Working Time Directive regulations. At this time the Local Government Association (LGA) advised councils to assess their current arrangements using the published employment appeals tribunal assessment rules.</p> <p>The Acting Chief Executive requested a review be undertaken in all affected services. To this end a pay specialist was employed to support this work, which has involved checking payments made to every worker in receipt of sleep-in arrangements over the past two years. This work is expected to be completed in September.</p> <p>We are in continuing dialogue with both the LGA and North West Employers to progress matters.</p>	<p>That review is now well advanced and its findings and recommendations are due to be reported soon.</p> <p>The review has so far covered:-</p> <ul style="list-style-type: none"> • A number of services that undertake sleep in arrangements have been identified and each is being assessed in line with Employment Appeal Tribunal guidelines. • External specialist support appointed to assist this process and report findings separately. • On-going dialogue with the Trade Unions is taking place to resolve staff grievances. • Compliance with the NMW investigation underway. 	<p>Acting Executive Director People; COO and Head of Strategic HR</p>
<p><u>Land Purchases</u></p> <p>Following an internal audit review of the Council's arrangements for asset disposals and purchases started in July 2017, concerns were identified over a number of acquisitions.</p>	<p>Internal Audit work in this area is ongoing, and findings to date have been referred to Cheshire Constabulary for consideration and further investigation.</p>	<p>Internal Audit, reporting to the Chief Executive.</p>

Appendix 1: The Governance Framework in operation during 2016/17

