

# Annual Governance Statement 2019/20 Progress Update – March 2021

## Appendix A

Working for a **brighter future** together



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## Progress against issues recognised in the Annual Governance Statement 2019/20

Council Funding	
<b>Description of Issue</b>	<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>
<b>Responsibility</b>	Executive Director of Corporate Services
<b>Action proposed at the time of inclusion in the AGS</b>	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</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 Aligning Public Services model.</p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

Council Funding	
	<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><b>Progress update for AGS 2019/20</b></p>	<p>The 2019/20 Outturn was reported to Cabinet in June 2020, via the Corporate Overview &amp; Scrutiny Committee. The report identified overspending within services in line with that reported as part of the Third Quarter Report, except for subsequent exceptional spending associated with the COVID-19 pandemic. The Third Quarter Report was presented to Council in February alongside the Medium Term Financial Strategy.</p> <p>The Medium Term Financial Strategy 2020 – 2024 included a balanced budget for 2020/21 but forecast annual deficits from 2021/22 onwards. Opening balances reflected the forecast outturn. Service spending issues identified in the Third Quarter Report were addressed in the MTFS, but the unsustainable reliance on one-off reserves, the low level of reserves generally and the presence of future deficits, was referenced as requiring attention within the Section 151 Officer's s.25 Statement.</p> <p>The potential financial impact of the COVID-19 Pandemic is significant and additional Central Government funding is being provided. The value of the additional funding compared to the local impact is an emerging picture, subject to regular exchanges of information between central and local government. The Council's reserve levels provide limited flexibility to absorb local financial consequences from COVID-19 and the overall position will be reported to members as an when appropriate information is available.</p>
<p><b>Progress update – March 2021</b></p>	<p><a href="#">Considerable engagement consultation and analysis has been carried out in the development of the Corporate Plan and Medium Term Financial Strategy, following the Budget Setting Process endorsed by Cabinet and the Corporate Leadership Team in May 2020.</a></p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Council Funding</b>	
	<p>Council received and approved the Corporate Plan and MTFS 2021-2025 in February 2021, following consideration of both at Cabinet on 2<sup>nd</sup> February 2021 and at the Council's Overview and Scrutiny Committees prior to this. This includes the Budget for the period 2021/22 to 2024/25.</p> <p>The ongoing impact of COVID-19, and any associated changes in funding will be managed through General Reserves with these changes be adopted through the Financial Procedure Rules and notified to Members at the earliest opportunity.</p>
<b>Recommendation</b>	<p>To note progress, but for the item to remain on the AGS progress update.</p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Health and Social Care Integration</b>	
<b>Description of Issue</b>	<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.</p> <p><i>Please note a restructure has created a single CCG for Cheshire as of 1<sup>st</sup> April 2020.</i></p> <p>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>
<b>Responsibility</b>	<b>Director of Adult Social Services</b>
<b>Action proposed at the time of inclusion in the AGS</b>	<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 were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> <li>• Final agreement for expenditure plans;</li> <li>• Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group; and</li> <li>• Assurance that DToC is a standing item on Systems Resilience Group agendas (now called A&amp;E Delivery Boards).</li> </ul>

## Progress against issues recognised in the Annual Governance Statement 2019/20

Health and Social Care Integration	
	<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 three key “medium” ranked recommendations:</p> <ul style="list-style-type: none"> <li>• Failure to identify and effectively manage BCF risks;</li> <li>• CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated; and</li> <li>• Poor Information Governance.</li> </ul> <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>
<b>Progress Update for AGS 2019/20</b>	The BCF/iBCF schemes have continued to operate during 2019/20 and an end of year report covering the progress of the schemes during 2019/2020 has been produced. This includes information on the financial performance, data performance and overall progress was presented to

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Health and Social Care Integration	
	<p>and endorsed by the Health and Wellbeing Board in September 2020. The 2020-21 Plan is now being delivered.</p> <p>Significant progress has been made with the Cheshire East Place Health and Care Partnership. The Partnership's Five Year Plan was published in November 2019, setting out the vision and aspirations of the Partnership with a 'Technical Appendix' identifying key activity that will be undertaken. The Partnership is now leading the work to take forward the integration agenda through a number of workstreams:</p> <ul style="list-style-type: none"><li>• Acute Sustainability – to ensure that our acute hospitals have a clinically and financially secure future. Consultants have been appointed to draft the pre consultation business case and this work is underway (although delayed by the COVID-19 outbreak);</li><li>• Integrated Care Partnership – a partnership of health providers (Acute Trusts, Mental Health Trust, Community Services and GPs and the Council) to enable the joining up of service provision in a seamless way. The Board has been established, a Managing Director appointed and priorities identified (linked to the Five Year Plan) for the ICP to progress. A Transformation Plan has been drafted and a Transformation Delivery Group established. Four priorities are being worked, respiratory health, cardiovascular health, mental wellbeing and children's health;</li><li>• Care Communities – eight care communities are now firmly established based around local clusters of GP practices. These bring together the clinicians and other professionals working with residents in the local Care Community geography to ensure that service delivery at that local level is effectively joined up.</li></ul> <p>These three core workstreams are supported by enabling workstreams looking at ICT, Workforce, Estates, Finance and Communications. Each of these has been making progress over the year.</p>

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Health and Social Care Integration	
	<p>The Cheshire East Place is engaged with the Cheshire and Merseyside Health and Care Partnership at both a strategic and operational level. The Cheshire and Merseyside Partnership is working towards achieving Integrated Care System Status by 1st April 2021. Cheshire East is one of nine places that make up the Cheshire and Merseyside Partnership. Cheshire East politicians and senior managers virtually attended the Partnership’s first ‘Assembly’ in September.</p> <p>Finally, the Health and Wellbeing Board under its new Chairman, the Leader of the Council, has undertaken a review of itself to ensure that it is fit for purpose. The proposed changes were considered and agreed by the Board at its July meeting. It has been a helpful process in determining the role that the Board needs to play in the changed (and changing) landscape.</p>
<b>Progress update – March 2021</b>	<p>The Department of Health and Social Care have published their White Paper ‘Integration and Innovation: working together to improve health and social care for all’ (February 2021). This sets out the legislative changes that are to be taken through Parliament to enable the formal establishment of statutory Integrated Care Systems (ICS). Other significant associated proposals will change the way health services are commissioned and procured, (including Public Health services commissioned by local authorities). The Local Authority will have a statutory duty to collaborate with the NHS and to be a partner on the Integrated Care System Partnership Board. The legislation will be taken through Parliament over the next year.</p> <p>Progress with the Cheshire East Place Health and Care Partnership work has been hampered by the COVID-19 outbreak with resources having to be redirected to COVID-19 response work. However the Integrated Care Partnership has moved forward with its Strategy and Transformation Plan being published, and Care Communities have continued to review community service delivery at the front line. Council officers continue to be involved all aspects of the work, from a Cheshire and Merseyside ICS level down to the Care Communities.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.



## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Proposed Change to the Committee system of Governance</b>	
<b>Description of Issue</b>	<p>Following the change in political leadership in May 2019, the Council will be exploring a change from the Leader and Cabinet Model of governance to the implementation of a full Committee model of governance.</p> <p>This will be developed during 2019/20 with a view to taking effect from the beginning of the 2020/21 Municipal Year subject to a legally and constitutionally robust process, led by the Council's Constitution Committee, and agreed by Council.</p>
<b>Responsibility</b>	Chief Executive
<b>Action proposed at the time of inclusion in the AGS</b>	The change in the Council's decision-making arrangements and governance framework will be undertaken through the Council's Constitution Committee and Council to ensure that the process of change is legally compliant and delivers the intended outcome.
<b>Progress Update for AGS 2019/20</b>	<p>At the meeting of Council in May 2019, a Notice of Motion committing the Council to a change in its decision-making governance arrangements was referred to Constitution Committee. During 2019/20 and 2020/21, the Constitution Committee, and a Governance Working Group it established, progressed the Notice of Motion.</p> <p>In November 2019, the Constitution Committee determined not to make a recommendation to Council at that stage, requesting further work to be undertaken and reported back to the Governance Working Group. The Constitution Committee received these updates on 19<sup>th</sup> March 2020 and 5<sup>th</sup> October 2020.</p> <p>In January 2020, the Group Leaders of Cheshire East Council agreed that the new governance arrangements will be implemented in May 2021 to allow more time for preparation.</p> <p>The final recommendations of the Constitution Committee are now in place and ready for Council approval which, if secured, will enable the new arrangements to take effect in May 2021.</p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Proposed Change to the Committee system of Governance</b>	
<b>Progress update – March 2021</b>	<p>At its meeting in November 2020, Council agreed to the adoption of the Committee system as set out in the design principles, committee structure, and to cease operating the existing Leader and Cabinet model of governance, moving to the Committee system model of governance from the Annual Council meeting on 12<sup>th</sup> May 2021.</p> <p>Council authorised the Director of Governance and Compliance, in consultation with the Constitution Committee to prepare such draft constitutional provisions as to give effect to the wishes of the Committee and be submitted to the Constitution Committee in phases during 2020/21 for recommendation to Council.</p> <p>By 12<sup>th</sup> November 2021, the Director of Governance and Compliance will provide a report to Council on the implementation of the committee arrangements with any further recommendations or amendments to the constitution.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.

## Progress against issues recognised in the Annual Governance Statement 2019/20

<b>Replacement of the Council's Core Financial Systems</b>	
<b>Description of Issue</b>	<p>The Council is in the process of replacing its existing ERP system, in a joint project with Cheshire West and Chester Council.</p> <p>This will see the replacement of the existing Oracle system including core modules covering accounts payable, income and payroll.</p> <p>The new system will achieve business efficiencies through changes in the software and supporting business processes.</p> <p>Change in the Council's core business system needs to be carefully managed to ensure the new system is fit for purpose that the changeover managed with minimal disruption, and that the transition to new business processes is successfully implemented to deliver the intended benefits.</p>
<b>Responsibility</b>	Executive Director of Place and Deputy Chief Executive.
<b>Action proposed at the time of inclusion in the AGS</b>	<p>The governance model adopted to deliver the replacement business system recognises the significance of the change required and risk involved in project delivery.</p> <p>Member involvement has been set up through the Shared Services Joint Committee and a specific joint scrutiny working group.</p> <p>Programme delivery is monitored by a monthly Steering Group comprised of Chief Officers from the two councils and the Programme Director. This is supported by a monthly Programme Board which is attended by the external implementation partner and is supported by a jointly staffed internal team which has been involved from the procurement stage.</p> <p>The Councils' Internal Audit teams are undertaking a joint programme of review and assurance throughout the implementation of the replacement and ahead of the new system going live.</p>

## Progress against issues recognised in the Annual Governance Statement 2019/20

Replacement of the Council's Core Financial Systems	
<p><b>Progress Update for AGS 2019/20</b></p>	<p>In partnership with Cheshire West and Chester Council, a fundamental review of the Best 4 Business programme was conducted between April 2019 and December 2019. The outcomes of this review were reported to Corporate Overview and Scrutiny Committee, the Shared Services Joint Committee and Cabinet.</p> <p>Further progress updates have been provided to both Council's Overview and Scrutiny Committees, the Shared Service Joint Committee and Joint Scrutiny Working Group, along with regular Portfolio Holder briefings.</p> <p>The latest update was provided to the Shared Services Joint Committee which received a report in Sept 2020 on the following key areas:</p> <ul style="list-style-type: none"> <li>• Update on the programme delivery;</li> <li>• Update on the financial and delivery risks including those relating to COVID-19</li> </ul> <p>In addition, the revenue implications (direct and indirect) of the programme were identified in the mid-year review report to Cabinet in October 2020</p> <p>Further update reports will be provided to Portfolio Holders, Corporate OSC, the Shared Services Committee and the scrutiny working group as the project continues.</p>
<p><b>Progress update – March 2021</b></p>	<p>The Finance and Payments element of Unit 4 ERP launched in February 2021 and is now being used to process procurement and payment activity, income accounting, financial reporting and project related financial delivery.</p> <p>HR and Payroll activity continues to be undertaken in the Oracle legacy solution, pending the revised programme of activity to the go live of these modules in Unit 4 ERP which will be reported to the Shared Services Joint Committee on 12<sup>th</sup> March 2021, along with a revised report on programme expenditure.</p>

**Progress against issues recognised in the Annual Governance Statement 2019/20**

<b>Replacement of the Council's Core Financial Systems</b>	
	Member oversight of the programme continues via Shared Services Joint Committee, the Joint Scrutiny Working Group and Portfolio holder briefings.
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.

## Progress against issues recognised in the Annual Governance Statement 2019/20

Responding to the impact of COVID-19	
<b>Description of Issue</b>	<p>Like other local authorities, the Council has been significantly challenged by the coronavirus pandemic.</p> <p>Responding to the pandemic will bring substantial risks to the Council in 2020-21.</p> <p>The challenges to the Council have been recognised in the reports provided to Cabinet, Scrutiny and Audit and Governance to date, which have highlighted the challenges being experienced, the Council's response, recovery plans, and future risks</p>
<b>Responsibility</b>	Chief Executive
<b>Action proposed at the time of inclusion in the AGS</b>	<p>There will be an ongoing review of the financial impact as well as the impact on procedures and processes relating to the emergency.</p> <p>Reports on the Council's ongoing response will continue to be provided to Cabinet, and other Committees where appropriate.</p>
<b>Progress update – March 2021</b>	<p>Regular reports have been provided to Cabinet, providing updates on the Council's response to the COVID-19 pandemic. These reports have also been provided to the Corporate Overview and Scrutiny the Audit and Governance Committees.</p> <p>The financial impact of COVID-19 has been monitored and reported on through these updates, and in the quarterly performance reports received by Cabinet and scrutiny committees. The impact of COVID-19 is also acknowledged within the Council's Medium Term Financial Strategy and budget 2021-25.</p> <p>Reports on the Council's response and recovery activity will continue to be provided to Cabinet and other committees as appropriate.</p>
<b>Recommendation</b>	To note progress, but for the item to remain on the AGS progress update.