

Annual Governance Statement 2022/23

FINAL

*Working for a **brighter future** together*



1. Executive Summary and Approval

- 1.1. Each year the Council produces an Annual Governance Statement that explains how it operates 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
 - How the Council monitors the effectiveness of the governance arrangements
 - Improvements or changes in governance arrangements proposed for the forthcoming year.
- 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 2022/23

- 1.4. We, as Chief Executive and Leader of the Council, 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, to the best of our knowledge, continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. The Annual Governance Statement is required to reflect the arrangements in place for 2022/23 and up to the time of its approval. The 2022/23 Annual Governance Statement will be presented to the Audit and Governance Committee on 7 March 2024.
- 1.6. To date, our assessment of the effectiveness of our governance arrangements for 2022/23 has identified one arising significant issue relating to Executive and Wider Leadership Team Capacity which can be found in Section 8.
- 1.7. The following item included in the 2021/22 Statement has been removed as the actions have been completed:
- Response to the Public Interest Report
- 1.8. It is proposed that the significant issue relating to the Cheshire East Safeguarding Children's Partnership is removed from future statements. In June 2023, the Department for Education confirmed that systems and processes are now in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.

- 1.9. The five remaining items from the 2021/22 Statement; Council Funding, Health and Social Care Integration, Planning, ASDV Governance and Cheshire East Children's Safeguarding Partnership are included again as continuing areas of concern for 2022/23.
- 1.10. 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.

Rob Polkinghorne Chief Executive	Cllr Sam Corcoran Leader

This section will be signed by the Leader of the Council and the Chief Executive after the final AGS is agreed.

2. Introduction

2.1. The Accounts and Audit 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 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.

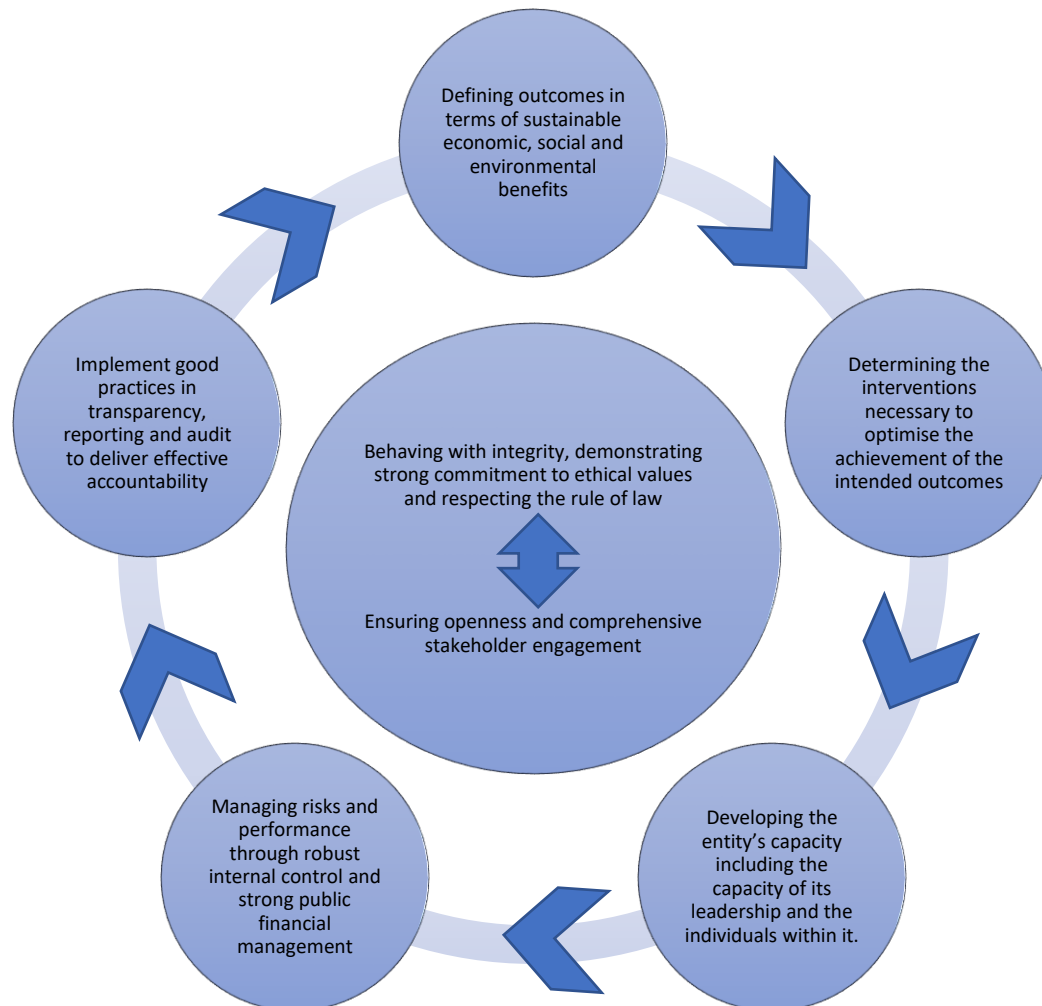
3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.

3.3. In January 2017, Cabinet approved and adopted a 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.

- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity including the capacity of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management

- Implement good practices in transparency, reporting and audit to deliver effective accountability
- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement

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



- 3.4. The annual review of effectiveness has been carried out against the Code of Corporate Governance. The draft Annual Governance Statement was published in July 2023 and has been updated as necessary to ensure this Statement remains current for when the Audit and Governance Committee considers it as final in March 2024.
- 3.5. Once approved by the Audit and Governance Committee it will be signed by the Leader and the Chief Executive. It will then be published as Final alongside the Statement of Accounts.

- 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 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 2022/23 which are set out below.
- 5.2. The Governance Framework described below and shown in Appendix 2 has been in place since 4 May 2021, when the committee system model of governance took effect. A diagram explaining the committee system can be found at Appendix 3.

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

- 5.3. Cheshire East Council's vision and priorities are outlined in the Council's Corporate Plan 2021-2025. The Corporate Plan 2021-2025 was approved by full Council on 17 February 2021 and sets out the priorities of the administration, within the context of the needs of the borough, the views of residents and the resources available.
- 5.4. The Medium-Term Financial Strategy (MTFS) 2022-2026 was agreed at the 24 February 2022 meeting of Council. 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.
- 5.5. The Corporate Plan 2021-25 is reviewed by the Corporate Policy Committee. Quarter 3's performance for 2022/23 was considered at the meeting on 23 March 2023 as part of the Council's performance management accountability framework.
- 5.6. The 2021/22 provisional financial outturn was reported to the Finance Sub Committee on 6 July 2022. The draft pre-audited Statement of Accounts 2022/23 and outturn update 2022/23 were reported to the Finance Sub Committee on 7 June 2023.
- 5.7. The Council delivered and progressed several infrastructure improvements and developments across the Cheshire East area. These major schemes are critical elements in delivering the ambitions of the Council. This includes the Poynton Relief Road which was completed in Spring 2023.
- 5.8. As recognised in previous Statements, the sustained and increasing financial pressures on health and social care services continue to present challenges to the Council. These are recognised as high scoring risks in the Council's Corporate Risk Register. An update on the actions undertaken during 2022/23 is provided later in this Statement.

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

- 5.9. The Council's Constitution sets out the rules for conducting business undertaken by the Council, including executive arrangements, committee structures, finance and contract procedure rules and schemes of delegation.
- 5.10. 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.

- 5.11. In November 2019, the Constitution Committee determined not to make a recommendation to Council at that stage, requesting further work to be undertaken. The Constitution Committee received an update in October 2020.
- 5.12. In November 2020, Council agreed that the new governance arrangements would take effect from the Annual Council meeting on 12 May 2021 and at the meeting held 19 April 2021 a report on the Constitutional Update to implement the Committee System was considered and it was agreed to adopt the Constitution from the next Annual General Meeting. In April 2021, the Corporate Overview and Scrutiny Committee considered a report on the financial implications on the incoming committee system. On 4 November 2021, the Corporate Policy Committee received a report on the Interim Review of the Committee System. This report was also presented to Council at their 15 December 2021 meeting. Furthermore, on 14 April 2022, the Corporate Policy Committee received a report on the first Annual Review of the Committee System. This report was subsequently presented to Council at the 27 April 2022 meeting. On the 15 June 2023, the Corporate Policy Committee received the second Annual Review of the Committee System.
- 5.13. The Council undertook extensive pre-budget consultation, setting out change proposals for consideration over the period 2022/23 to 2025/26. Stakeholders were invited to comment on the Council's pre-budget report using an online survey launched in November 2021 and a summary of the responses formed part of the consideration of the MTFS 2022/26 by Council at the meeting held 24 February 2022.
- 5.14. The MTFS clearly identifies how resources will be matched against the delivery of priorities established in the Council's Corporate Plan. In October 2021, Council approved a report on aligning the MTFS to the Committee Structure.
- 5.15. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Capital, Investment and Reserves Strategies.

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

- 5.16. The Chief Executive, Executive Directors and Statutory Officers met regularly during 2022/23 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 several cross functional officer, and officer/member groups. The reporting lines between these and relevant Committees are shown in the Governance Framework diagram in Appendix 2.
- 5.17. The Council's Constitution defines the standards of conduct and personal behaviour expected of, and between, members, staff, 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. Audit and Governance Committee considered the development of a working group to review and update the Member Code of Conduct in September 2021. The Committee received a verbal update at the meeting held 30 September where it was confirmed that the working group had met and held two sessions with Town and Parish Councils and agreed to extend the time for feedback until November. The draft Member Code of Conduct was received by Audit & Governance Committee on 28 July 2022. The Code of Conduct was put to and adopted by full Council on 19 October 2022.

- 5.18. In addition to an ongoing programme of member briefings, key training events for 2022/23 included supporting better decision making, which was well attended and briefings on the service budgets under the remit of each service committee. However, the focus for the year was on preparing an induction programme for members elected at the local elections in May 2023.
- 5.19. A comprehensive programme of induction events has been running from May 2023, which will continue throughout the remainder of 2023/24. In addition to a welcome event hosted by the Chief Executive, sessions on the Code of Conduct, working effectively as a Cheshire East Councillor and committee procedures have already taken place. This will help to support better decision making, and the service budget briefings referred to in paragraph 5.19 will also form part of the programme.
- 5.20. To promote the importance of members' foundations skills i.e., Safeguarding Children and Adults, Equality, Diversity and Inclusion and General Data Protection Regulations (GDPR), a mandatory online induction programme has been created for all Members.
- 5.21. The statutory roles of the Head of Paid Service, Monitoring Officer and Chief Finance 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.
- 5.22. Interim arrangements are in place to cover the Executive Director - Corporate Services and the Executive Director - Place.
- 5.23. The Council publishes a Pay Policy Statement by 31 March on an annual basis. This provides transparency about the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The 2022/23 Pay Policy Statement was recommended to Council from the Corporate Policy Committee. The Policy was approved on 24 February 2022 where it was also agreed that it would be reviewed in-year and any further changes be approved by the Monitoring Officer and published accordingly. The 2023/24 Pay

Policy Statement was put to the Corporate Policy Committee on 9 February 2023 and approved by Council on 22 February 2023.

- 5.24. The Workforce Strategy 2021-25 sets out how the Council will develop the capacity and capability of its workforce to support the priorities identified within the Corporate Plan and deliver the MTFS. The Corporate Policy Committee received update reports on progress against the Strategy on 9 June 2022, 1 December 2022 and October 2023.
- 5.25. All staff are required to undertake mandatory training on protecting and managing information, dignity at work and equality in the workplace. Completion and compliance are monitored and reported to Heads of Service and Directors. Managers are also supported with training on the Council's Dignity at Work and Grievance procedures.

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

- 5.26. An updated Risk Management Framework was taken to the Audit and Governance Committee on 12 March 2020 and approved by Cabinet in June 2020. The Council's approach to risk management was reviewed and refreshed during 2020/21. The Audit & Governance Committee received the 2021/22 Annual Risk Management Report on 26 May 2022. This Committee also received regular updates during 2022/23 and the 2022/23 Annual Risk Management Report was received at the 27 July 2023 meeting. The current Risk Management Framework 2020-2022 is being updated to reflect the needs of risk management and risk reporting in the context of the committee system.
- 5.27. During 2022/23, the Corporate Policy Committee received quarterly updates on the Council's Strategic Risk Register, alongside reports on the financial position of the organisation, and the performance management. The co-ordinated delivery of these updates supports a cohesive commentary to the Committee. The risk update reports also include the identification of emerging risks and horizon scanning across global and local risk updates to provide useful context and background to the Council's register.
- 5.28. Operational risk registers are included in the directorate and service business plans. These are reviewed by the team plan owners, and risks are considered for escalation to the Strategic Risk Register as necessary.
- 5.29. Reports to all decision-making committees are produced in line with a reporting protocol which involves clearance of reports through the relevant directorate management team, legal and financial review and the identification and mitigation of risks associated with the report content.
- 5.30. Since the move to the committee system on 4 May 2021, the Overview and Scrutiny Committees were decommissioned. Scrutiny powers under Section 21

of the Local Government Act 2000 are now fulfilled through the Children and Families, Adults and Health, Environment and Communities and Corporate Policy Committee

- 5.31. Each of the service committees scrutinised quarterly performance scorecards and budget proposals for the 2022/23 period relevant to their area of focus.
- 5.32. The Information Governance Group (IGG) met regularly throughout 2022/23, managing a programme of proactive improvement and ongoing compliance with the requirements of the Data Protection Act 2018. The Group also managed responses to reported data related incidents, providing updates to the SIRO (Senior Information Risk Owner), and the Corporate Leadership Team.
- 5.33. The Brighter Futures Commercial Board continued to meet during 2021 and up until April 2022 when it was agreed that the Board had achieved its objectives.
- 5.34. The Contract Management System is being rolled out to services on a phased basis and went live in September 2021 for Procurement, ICT and the People's Directorate. There are currently 130 live users in the system who have received training. This will continue during 2023 along with a dashboard being created and reported to DMT's. Procurement reports are regularly provided to the Finance Sub-Committee which include pipeline, contracts, waivers, and relevant procurement updates.
- 5.35. Commissioning, procurement, and contract management training is currently being refreshed to include the basic contract management, roles and responsibilities of contract managers and contract management system training. New processes and procedure are live on the CEntranet and new eLearning packages are available in the learning lounge.
- 5.36. 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.
- 5.37. During 2022/23, the Audit and Governance Committee received or approved a broad 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
 - The Annual Risk Management Report and updates on Risk Management
 - Regular updates and the Annual Report of the Council's COVID-19 Response and Recovery

- Maladministration Decision Notices from Local Government and Social Care Ombudsman which are reported to the Committee, alongside the details of the learning from the issue and actions undertaken by each service in response.
- Assurance around procurement controls including overseeing governance arrangements and reviewing all approved Waivers and Records of Non-Adherences. The WARN process forms part of the Contract Procedure Rules (CPR's) which are intended to promote good Procurement and Commissioning practice, transparency, and clear public accountability. Since June 2016 onwards, summary information on the number and reasons for WARN's has been provided to the Committee as a standard part one agenda item, with the details being considered in part two of the meeting.
- Member Code of Conduct Sub-Committee Report summarising the recent Member Code of Conduct complaints and associated investigations involving elected members of a Parish Council
- A summary of the key findings identified during the External Auditors certification process – Certification of Claims and Returns 2020/21
- Information Governance Reports
- The Annual Monitoring Officer Report

- 5.38. At the September 2022 meeting of the Committee, concerns were raised in relation to the governance of an Urgent Item that had been considered by the Children and Families Committee on 23 September 2022 in respect of an All-Age Carers Hub. The Committee agreed to add an item to the Action Log for the Director of Governance and Compliance to feedback a detailed briefing note to the Committee to provide assurance that the issues had been addressed.
- 5.39. The *Audit Committees – Practical Guidance for Local Authorities and Police* was released by CIPFA in September 2022. Furthermore, CIPFA were engaged to undertake an independent review of the effectiveness of the Audit and Governance Committee during 2022/23. The Committee received a progress report on 9 March 2023 and attended a workshop in April 2023 to receive the CIPFA report findings and to propose actions back to the Committee. The CIPFA review findings report, and proposed action plan was subsequently taken to the Audit and Governance Committee on 8 June 2023. An update on progress against the action plan was reported to the Committee on 7 December 2023.
- 5.40. The Audit and Governance Committee Annual Report for 2021/22 was presented to the 29 September 2022 meeting. The 2022/23 Audit and Governance Committee Annual Report was presented to the Committee on 28 September 2023.

- 5.41. The final 2021/22 Annual Governance Statement was put to the Committee on 9 March 2023 where it was agreed to delegate authority to the Chief Executive and Leader of the Council to sign off the AGS following the conclusion of the External Auditor's work.
- 5.42. The External Auditors completed their work in November 2023 and the 2021/22 Annual Governance Statement was signed off by the Interim Chief Executive and Leader and published on the Council's website.

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

- 5.43. 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 2022/23 which was received by the Audit and Governance Committee on 27 July 2023 and is as follows:

Internal Audit Opinion

The Council's framework of risk management, control and governance is assessed as adequate for 2022/23

- 5.44. In forming its opinion, Internal Audit considered issues arising from the several areas of audit activity during the year. A developing theme across audit findings has been one of resource pressures impacting upon the ability of services to properly apply established controls within areas of operation. This issue is highlighted in areas of the Strategic Risk Register and has been included as an emerging issue in this Statement.
- 5.45. It is also important to reference the Report in the Public Interest that was issued to the Council by the former External Auditors in January 2023. The actions arising from the Report have now been completed and the External Auditor has released the outstanding audit certificates for 2015/16, 2016/17 and 2017/18.
- 5.46. Despite the challenges highlighted above, Internal Audit are satisfied that there has been appropriate engagement for Internal Audit across the organisation, through assurance work, consultancy and advice, and the understanding of the assurance taken from other sources to assess the framework of risk management, control, and governance as Adequate for 2022/23.
- 5.47. As referenced elsewhere within the statement, there was an ongoing national issue in relation to the valuation of infrastructure assets that prevented the external auditors from completing their 2020/21 and 2021/22 audits. This resulted in a pause in the sign off on the external audit report and opinion. Assurance was provided by the external auditors to the Audit & Governance Committee that this was a national matter and that the risk to Cheshire East Council was minimal and not expected to have a material impact upon service delivery. The solution to the

issue was issued to the Council on 25 December 2022 and the external auditors completed their work and issued the outstanding completion reports in November 2023.

- 5.48. Following completion of all police investigations into the Council and consideration by the Crown Prosecution Service, the former external auditors, Grant Thornton, completed their work in relation to the outstanding audit certificates under the Local Audit and Accountability Act 2014. This work commenced during 2021/22 and was supported by Internal Audit and the Council as a whole.
- 5.49. Having concluded their work, Grant Thornton published a report in the public interest on 17 January 2023 which was considered by Council on 1 February 2023. The external auditor's report made three recommendations to Council which were all accepted. These are set out below.

R1 The Council should carefully consider this report to ensure all members now understand the events and conditions that led to the issues set out in this report. This consideration could usefully reflect upon: what happened; the governance and cultural arrangements that allowed it to happen; the critical success factors that led to the successful resolution of matters; and the key elements of the Council's current arrangements that can reassure members of the Council's ability to protect itself from such threats to its future governance.

R2 The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report.

R3 The Council should discuss with its current external auditors whether there are any matters arising from this report that should be addressed by the current auditors' statutory external audit.

- 5.50. Council considered the report on 1 February 2023 and agreed that Audit and Governance Committee would receive a further Internal Audit report to conclude the recommendation at R2.

The Council should, as planned, return to the other specific matters investigated by Internal Audit (see paragraphs 4.2 and 5.6 of the public interest report), following the Core Fit issue, and determine if there are further actions to be taken particularly in light of this report.

- 5.51. The report in the Public Interest was also discussed at the Audit & Governance Committee on 9 March 2023. During which, recommendation 3 was addressed with the current External Auditors who agreed to consider the work undertaken by Grant Thornton and would collectively seek to close this area of audit work.

- 5.52. The production of this report required further assurance work to be undertaken by Internal Audit in relation to land transactions (acquisitions and disposals). This followed the initial work carried out in the 2017/18 plan, which resulted in referrals to Cheshire Police being made in March 2018 and the qualification of the 2017/18 Value for Money opinion. The final assurance report was put to the Audit and Governance Committee on 8 June 2023 and provided a satisfactory assurance opinion.
- 5.53. The Public Interest Report and the action required by the Council in respect of the three recommendations was included as a Significant Governance Issue in the 2021/22 Statement. As all three recommendations have now been completed, Audit and Governance Committee approved the removal of this Significant Governance Issue at its meeting in July 2023.
- 5.54. Counter Fraud activity is reported to the Audit and Governance Committee through the regular Internal Audit progress reports. The latest update was provided to the December 2023 meeting.
- 5.55. The Council has a number of wholly owned companies. Several changes were made following an independent review of these Alternative Service Delivery Vehicles (ASDVs).
- 5.56. The following ASDVs were in operation during 2022/23:
- Orbitas Bereavement Services Limited
 - ANSA
 - Transport Service Solutions Limited (TSS Ltd)
 - Tatton Park Enterprises Limited
- 5.57. In February 2021, Cabinet approved that the contract between the Council and Orbitas Bereavement Services be modified by extending it by a period of one year, to March 2022.
- 5.58. In May 2022, the Finance Sub-Committee approved the recommendation of the Shareholder Working Group for “the inclusion of the Bereavement Services Contract on the Procurement Pipeline Report for a period of 5 years, with an extension for a further 3 years, at a value determined by the Commissioner for Bereavement Services in line with the current MTFS”. The Council entered into a new contract for the provision of bereavement services with Orbitas Bereavement Services on 31 March 2022 for a period of 5 years with the option to extend for a further 3 years.
- 5.59. In May 2021, Cabinet approved the recommendations that the strategic, planning, commissioning, and procurement functions of TSS Ltd were to be transferred and delivered directly by the Council, with the operational delivery functions of the

company to be delivered by ANSA. The new arrangements came into force on 1 April 2022.

- 5.60. Following the move to the Committee System in May 2021, the responsibilities of the ASDV Shareholder Committee were transferred to the Finance Sub-Committee. In September 2021, a Shareholder Working Group was appointed to review and provide advice on the strategic business cases and current governance arrangements for each wholly owned company (WOC). The Sub-Committee received and considered the report of the Working Group at the 5 January 2022 meeting. The Sub-Committee also considered the Wholly Owned Companies Matters report at the meeting held on 1 June 2022 and received a verbal update on 6 July 2022. At the 7 September 2022 meeting, the Sub-Committee considered the Commencement ASDV Governance Review report.
- 5.61. Everybody Health and Leisure (Everybody) is an independent charitable trust which delivers recreation and leisure facilities. The Council retains ownership of significant assets such as buildings. Everybody 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 current operating agreement between the Council and Everybody runs to 30 April 2029. Prior to 1 May 2022, Everybody was known as Everybody Sports and Recreation (ESAR).
- 5.62. Everybody's annual performance report for 2022/23 was reported to the commissioning manager and shared with members of the Environment and Communities Committee in January 2023.
- 5.63. The Shared Services Joint Committee oversees the management of the services provided on behalf of Cheshire East and Cheshire West and Chester Councils, to ensure effective delivery of services and strategic direction. Regular reports on performance and progress have been received during the year by the Committee on all 8 shared services including ICT Services, the Transactional Service Centre. They have also overseen the review of the shared services.
- 5.64. The Shared Services Joint Committee has also received regular progress reports on the shared programme with Cheshire West and Chester Council to replace the existing Finance and HR Systems throughout 2022/23. The Finance element of the Unit4 ERP solution was successfully launched to users on 8 February 2021, the HR and Payroll element of Unit 4 ERP launched in November 2021 with the December 2021 payroll being successfully run in the new system.
- 5.65. The progress reports to the Shared Services Joint Committee included the following:
- Update on developments following go live of the HR and payroll elements.

- Update on a post go-live transition plan and technical close of the programme.
 - Proposals for a Member-led Lessons Learned review of the programme.
- 5.66. In June 2022, the Shared Services Joint Committee received a further update on the implementation of the Unit 4 ERP System. This report provided an update on each of the three elements detailed above, including that the terms of reference for the lessons learned review were expected to be agreed by August 2022 and an externally facilitated task group was being established to undertake the review. The Best4Business Future Lessons – Outcome Report was presented to the Shared Services Joint Committee on 23 September 2022.
- 5.67. 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.
- 5.68. The Accounts and Audit Regulations (2015) legislation prescribes the format and timescale of the production of the Annual Governance Statement and the Statement of Accounts for local authorities.
- 5.69. In recognition of the ongoing impact of Covid-19, the Accounts and Audit (Amendment) Regulations 2021 amended the timescales of the publication of the draft statement from the 31 August to not later than the 30 September 2022, the publication of the final statements remains the 30 November. Following discussion and agreement with the external auditors and taking into account the impact of the pandemic and implementation of the new financial system, it was determined that the Council would operate to these extended deadlines.
- 5.70. However, due to a national issue regarding accounting for infrastructure assets, it was not possible for the External Auditors to complete and conclude the audit to allow for publication of the final statements by the 30 November 2022. The solution to the issue was issued to the Council on 25 December 2022 and the external auditors subsequently reviewed the Council's response prior to completing their audit.
- 5.71. The Audit and Governance Committee therefore considered the draft 2021/22 statement at the 29 September 2022 meeting. The Committee reviewed the final statement at the meeting held on 9 March 2023 where it was agreed that delegated authority would be granted to the Chief Executive and Leader of Council to sign the Statement following the conclusion of the work of the External Auditors. The final Statement for 2021/22 was subsequently signed off and published in November 2023.

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

- 5.72. 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.
- 5.73. 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.
- 5.74. In September 2021, the Audit and Governance Committee received the Annual Report of the Monitoring Officer 2020/21, which provided background and an overview on the Monitoring Officer's statutory duties. The report also advised 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. The Committee also received the 2021/22 Monitoring Officer Report in September 2022 and the 2022/23 Report in September 2023.
- 5.75. The Audit and Governance Committee agreed that a review of the Member Code of Conduct would be added to the Committee's Work Plan for 2020/21 and that it should be linked to the Local Government Association publication of a revised Model Code of Conduct which was published for consultation in July 2020. The Local Government Association published its Model Councillor Code of Conduct in May 2021, and the supporting guidance was published in July 2021. A Councillor Code of Conduct Working Group was established to consider the Model Code and propose a revised Code of Conduct for Cheshire East Council. The review remained on the Committee's work plan for 2021/22, and the draft Code was received by the Committee on 28 July 2022, which was subsequently recommended to and adopted to Council on 19 October 2022.
- 5.76. At the meeting of the Audit & Governance Committee held on 10 March 2022, the Committee received a report summarising recent Member Code of Conduct complaints and associated investigations involving elected members of Handforth Parish Council. Consequential amendments to the Code of Conduct resulting from this report were considered by the Councillor Code of Conduct Working Group.
- 5.77. Section 151 responsibilities for 2022/23 were covered by the Director of Finance and Customer Services. These arrangements complied with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 5.78. The Monitoring Officer responsibilities were covered by the Director of Governance and Compliance Services.

- 5.79. Prior to the adoption of the committee system in May 2021, the Staffing Committee received updates on the Brighter Future Together (Culture) Programme. This is the transformation programme established to deliver changes in the organisational culture of the Council following the review undertaken by the Local Government Association (LGA). The LGA's report was received in January 2018 and is available on the Council's website. Following the move to the committee system the Corporate Policy Committee assumed the responsibilities of the Staffing Committee and received an update on the Organisational Culture Change Programme in July 2021. The Committee also approved the Workforce Strategy in November 2021 and received updates on progress in June and December 2022 and also in November 2023.

Ensuring openness and comprehensive stakeholder engagement

- 5.80. The Council's open data portal 'Insight Cheshire East' holds the majority of our transparency information and open data together in one place. The site is designed to make inspecting, accessing, and downloading our data easier for everyone, including developers, who may wish to use our data in their own applications or websites. Work is continuing to expand the content on the site, with emphasis on areas that residents most frequently request information about.
- 5.81. As required by the Transparency Code 2015, the Council published the current number of Council employees with basic salaries of £50,000 or over on the Open Data Cheshire East Portal.
- 5.82. Committee meetings continued to be audio cast throughout 2022/23. Recordings can be found on the relevant Committee pages. Meetings are held in public, and agendas, reports, and minutes are published via the Council's website.
- 5.83. The Council publishes delegated officer decisions on its website, demonstrating how the provisions of the Constitution have been exercised.
- 5.84. Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as appropriate, 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 are also available.
- 5.85. Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. In response to the lockdown restrictions relating to the COVID-19 pandemic, steps were taken to ensure that staff and managers were supported during what was a time of significant change in working arrangements.

- 5.86. Weekly Manager Share and Support sessions were provided throughout 2021/22 and have continued through 2022/23. These sessions cover a wide variety of topics and provide an opportunity for managers to interact, raise any issues and concerns that they may have, and receive briefings and training on new developments such as the effective use of Teams.
- 5.87. In addition to the sessions detailed above, weekly TLC – Time to Listen and Chat sessions have also been provided. The purpose of these sessions is to keep people connected and support wellbeing in work. These 30-minute calls offer an opportunity to take a break from the pressures of work to meet with colleagues from across the organisation for an informal chat.
- 5.88. Wider Leadership Team and Wider Leadership Community sessions were held during the year which facilitated briefing, networking, and development opportunities across the senior officer leadership cohort. Key messages from these sessions are cascaded through department and team management sessions.
- 5.89. Since 2020, the Chief Executive has provided regular video updates to staff via a Vlog. The videos and transcripts are available on the CEntranet. Furthermore, during 2022/23 “Coffee with Lorraine” sessions with the Chief Executive were introduced. These monthly sessions are open to all staff to hear the latest updates from the Council and be able speak openly with the Chief Executive and ask questions.
- 5.90. 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 annual awards which was held in January 2023 after the disruption of the last couple of years. The recognition panel itself includes volunteers from across the organisation.
- 5.91. The Council’s Corporate Leadership Team has continued to meet virtually with staff groups from across the organisation and offer an opportunity for staff to raise any questions or issues they have directly with their Senior Managers.
- 5.92. Council services use various forms of social media, 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. This process is informed by a range of sources. The various sources of assurance

which inform the annual review are described below and referenced in the Governance Framework in Appendix 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 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.
- **Reference and review of existing reports and assessments**

6.3. For the purposes of the Annual Governance Statement "significant" is defined as an issue which has had or has the potential to have a noticeable impact on the Service's and/or Council's ability to achieve its objectives.

6.4. Examples might include:

- Legal action against the Council for failing to fulfil a statutory duty (resulting in a substantial financial penalty and/or loss of reputation)
- An instance of fraud or corruption involving financial loss, a noticeable impact on service delivery and/or loss of reputation
- An unexpected occurrence resulting in substantial financial loss, disruption to service delivery and/or loss of reputation (including significant media coverage/interest)
- Failure of a major project to meet stated objectives; or
- A serious breach of the Code of Conduct having a noticeable effect on service delivery and/or reputation

- 6.5. Section 7 sets out the progress made against the issues identified in previous Annual Governance Statements, which have been monitored throughout 2022/23.
- 6.6. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon to the Audit and Governance Committee, through previous Annual Governance Statements, and through regular update reports.
- 6.7. The following previously included significant issue has now been addressed and subsequently removed as agreed at Audit and Governance Committee on 27 July 2023:
- Response to the Public Interest Report
- 6.8. It is proposed that the significant issue relating to the Cheshire East Safeguarding Children's Partnership is removed from future statements. In June 2023, the Department for Education confirmed that systems and processes are now in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.
- 6.9. The following issues are included again as continuing areas of concern for 2022/23 in the updates in Section 7. This recognises the continuing significance of these specific areas, at national and local levels:
- Council Funding
 - Health and Social Care Integration
 - Planning
 - ASDV Governance
 - Cheshire East Safeguarding Children's Partnership
- 6.10. The Council's assessment of its governance arrangements has identified an additional significant issue arising during 2022/23 relating to Executive and Wider Leadership Team capacity.
- 6.11. The review has considered the effectiveness of the Council's governance arrangements against the principles set out in the Code of Corporate Governance.
- 6.12. **Overall, we can confirm that the Council has appropriate systems and processes in place to ensure effective governance is maintained. Whilst we are satisfied that these generally work well, our Annual Governance review has identified areas where further improvements are underway (Section 7).**

7. Progress against ongoing issues identified in previous Annual Governance Statements

Council Funding <i>Recognised as a Continuing Governance Issue since 2015/16 but revised and restated in 2021/22</i>	
Description of issue at the time of inclusion in AGS	<p>The uncertainty of demand for services, particularly during the pandemic, makes forecasting the adequacy of funding requirements more challenging. This was exaggerated through uncertainty of the potential yield from many of the Council's largest funding sources. For example, Council Tax and Business Rate collections and taxbase calculations were impacted by the pandemic and by government intervention. DSG is impacted by academisation and shortfalls in High Needs funding. Grants are subject to ongoing review and therefore often presented as single year allocations.</p> <p>Without certainty the Council can sometimes be required to make short term decisions which could prove inefficient as well as disruptive.</p> <p>Council received and approved a balanced 4-year MTFS 2022 to 2026 in February 2022. This followed consideration at each service Committee and was recommended to Council by the Corporate Policy Committee. This includes the Budget and Council Tax levels for the 2022/23 financial year.</p> <p>Council further received a balanced 4-year MTFS 2023 to 2027 in February 2023. The consultation process to support this budget received more responses than any previous consultation which was an indication of the process and content of the proposals. Decisions were required to alter several services and introduce new charges to support material growth, particularly in Adult Social Care.</p> <p>The Local Government Finance Settlement published in 2021 was presented as a Three Year Settlement, but the local allocation of total funding was only certain for 2022/23. The MTFS aimed to minimise the medium-term risk of reduced funding by assuming lower allocations in later years in line with statements from Ministers.</p> <p>Due to material growth and in-year over-spending the final settlement in 2022 introduced new grants, increased Council Tax referendum levels and delayed Adult Social Care reform. The impact of this caused delays to the MTFS process.</p> <p>Whilst funding from Council Tax and Business Rates has stabilised to a degree there is still uncertainty over any structural changes to these income sources. Material funding issues remain within the</p>

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	<p>High Needs funding block in the DSG, and Cheshire East Council took part in the Delivering Better Value Scheme, although it is clear this will not resolve the material deficits in this area.</p> <p>The legacy impact of the pandemic and other global events continues to cause forecasting issues with the demand for services and the levels of inflation and interest rates.</p>
Responsibility	Director of Finance & Customer Services
Action proposed at the time of inclusion in the AGS	<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>Finance staff and senior leaders are engaging with government officials and professional bodies (such as CCN, CIPFA, LGA, SCT, RSN and UTS), in the review of local government finance.</p> <p>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 considered.</p> <p>Funding estimates are transparent and reported to the Finance Sub-Committee. Working Groups from the Sub-Committee have also reviewed estimates in detail. This includes estimates within all financial strategies that make up the over-arching Medium Term Financial Strategy.</p> <p>The Council's increasing level of collaboration and integration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review.</p>
Progress update for 2022/23 AGS	<p>Outturn for 2022/23 showed that expenditure exceeded income levels, by £6m, a level broadly anticipated in the Council's in-year reporting and reflected in the latest MTFS approved in February 2023. Whilst balancing the position did require utilisation of £5.2m from the MTFS Reserve, the required transfer from the General Fund Balance was £0.8m, being some £1.7m less than planned for.</p> <p>This was a helpful position, but the risks to financial management, from exceptional inflation and rising demand for services; and levels of funding from or enabled by Government remain. It is worth noting that achieving that outturn position did require significant mitigating measures in-year, including some use of other 'one-off' reserves and actions.</p> <p>The budget for 2023/24 and MTFS 2023/24-2026/27 was approved by Council in February 2023, based on the final settlement. It is still considered that grant allocations and 'flexibilities' afforded by government fall significantly short of the estimates of spending required (largely due to pay and cost inflation, and effects on demand for services), and long-term</p>

	<p>solutions continue to be needed, particularly in respect of social care (including the relationship with health services) and the funding of high needs children's services.</p> <p>During the current financial year, 2023/24, these matters have now been reflected in a freshly defined strategic risk: SR06 - Failure to achieve the MTFS.</p> <p>In-year forecasting for the current 2023/24 year has shown that, as indicated above, the effects of inflation on increasing pay and supplies costs, the growing demand for and complexity of service provision, and the impacts of high interest rates on costs of borrowing, are continuing to place significant financial pressures on the Council.</p> <p>The Second Financial Review (reported to Finance Sub-Committee on 2 November 2023, and all other Service committees in the November cycle of meetings) showed a financial pressure of £18.7m (5.3% of the current net revenue budget of £353.1m).</p> <p>In October 2023, the Cheshire East Budget Response Team (CEBERT) was set up to lead on coordinating a wide range of mitigating actions across the organisation. Weekly meetings are chaired by the Chief Executive, with updates relating to several workstreams, each focussed on particular spending control measures.</p> <p>Local authorities, including Cheshire East Council, are liaising with Government departments over the severity of so many emerging financial issues affecting our sector; the Council is engaging either directly with Government departments, or through professional or political networks. The focus of the lobbying for Cheshire East Council is on the following important local issues:</p> <ul style="list-style-type: none"> • The High Needs/ Special Educational Needs deficit, with the Council having now begun conversations on entry to the DfE's Safety Valve Scheme • Capital Funding and HS2, including seeking compensation for abortive costs, and developing wider plans to provide additional funding for infrastructure projects in the North of England, following the announcements about HS2 • Children's Services (see below) • Local Government Settlement <p>Analysis of the in-year forecasts for 2023/24 and reflecting on the outturn performance against the 2022/23 budget, indicates that the most significant prevailing financial pressure is within Services that are the responsibility of the Children and Families Committee. This position is in-line with top tier Local Authorities across England where similar issues are being experienced.</p>
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	<p>The immediate short-term risk to the Council's financial resilience must lead to a focus on budget setting for the 2024/25 budget only. Assuming no material change in central funding, a report to Finance Sub-Committee on 2 November 2023 proposed an initial reallocation of resources, responding to pressures in the Children and Families services, increasing the revenue budget for the committee by £7m compared to the MTFS presented to Council in February 2023. This transfer of resources results in a savings requirement in other Committee budgets to maintain the balanced budget requirement.</p> <p>The MTFS on budget setting for 2024/25 was considered at Corporate Policy Committee on 13 February 2024. Regarding the projected outturn for 2023/24, it reiterated the forecast deficit of £13m reported in the Third Financial Review, as reported to committees in the January cycle of meetings.</p> <p>It also reported the potential for the need to write-off to revenue the capital expenditure of £8.6m relating to HS2; this would be necessary if the support from Government requested (either compensation by way of grant, or capitalisation direction) is not forthcoming.</p> <p>In addition to the significant use of reserves needed to balance off the 2023/24 revenue account, the report also highlighted growth pressures of £34.3m for 2024/25, as against the availability of additional funding of £22.6m, creating a budget deficit of £11.7m – and this position assumes approval and then delivery of several challenging change/ savings items.</p> <p>This would mean further use of reserves and – even subject to successful achievement of those plans – that the General Fund balance on 31 March 2025 would be just £2.1m, and a ring-fenced earmarked reserve of only £1.7m would exist at that point.</p> <p>This is clearly unsustainable; and consequently, the MTFS also includes the S25 report from the Director of Finance and Customer Services (Chief Finance Officer) which sets out the planned response to the 2024/25 budget and reserves position and the transformational activity (which will require the appointment of a transformation partner) that needs to take place during 2024/25 to address the financial crisis the Council is facing.</p> <p>Corporate Policy Committee on 13 February 2024 also considered a report on exceptional financial support, which included recommendations that:</p>
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	<ul style="list-style-type: none"> • The Chief Executive shall continue to seek resolution of financial issues related to the abortive costs of HS2 and the financial deficit in High Needs education budgets • The Chief Executive finalise and submit a request for exceptional financial support in the form of an in-principle capitalisation direction for 2023/24 and 2024/25 to the Secretary of State for Levelling Up for up to £17.6m <p>The latter relates to £8.6m in respect of HS2 (as referred to above), and £9m relating to interest costs on the DSG deficit (£3m in 2023/24; £6m in 2024/25). The impact of Government approving the application for capitalisation direction would be to support revenue reserves levels, and thereby alleviate some financial stress, whilst the Council undertakes a programme of organisational transformation in 2024/25.</p>
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Health and Social Care Integration <i>Recognised as a Continuing Governance Issue since 2015/16 but revised and restated in 2021/22</i>	
Description of issue at the time of inclusion in AGS	<p>Since the 1 July 2022, integrated care systems have been formalised as statutory bodies following changes brought about by the 2022 Health and Care Act and has meant the abolishment of the Clinical Commissioning groups.</p> <p>Cheshire East Council sits within the Cheshire & Merseyside ICS footprint, which comprises of 9 Local Authority Areas.</p> <p>The central aim of ICS's is to integrate care across different organisations and settings, joining up hospital and community-based services, physical and mental health, and health and care.</p> <p>The key challenges and risks that this presents are as follows:</p> <ul style="list-style-type: none"> • That the ICS is not a partnership of equals across the broader health, wellbeing and social care system • Risk that central control remains at central level and decision making and delegations are not devolved to place • National versus local tensions • Budget deficits
Responsibility	Executive Director of Adults, Health and Integration
Action proposed at the time of inclusion in the AGS	<p>Ensuring representation at a Cheshire and Merseyside level.</p> <p>All Integrated Care Systems (ICS) are made up of two constituent elements, the Integrated Care Partnership (ICP) and the Integrated Care Board (ICB). For Cheshire and Mersey Integrated Care System (C&MICS):</p> <ul style="list-style-type: none"> • The Leader of the Council represents Cheshire East Council on the Integrated Care Partnership, which in Cheshire and Mersey is called the Health and Care Partnership

	<ul style="list-style-type: none"> • The C&M ICB constitution makes provision for two local authority chief executives to be members of the Board, one from Cheshire and Warrington and one from the Mersey City Region, to represent the views of local authorities. The role will rotate between local authorities on a 3 year cycle. There is also a Director of Public Health on the board <p>Collaboration with the ICB local representative, Mark Wilkinson - Place Director.</p> <p>In Cheshire East, the Place Director has dotted line accountability to the Chief Executive and routinely attends the Corporate Leadership Team. In addition, joint management arrangements across the local ICB team and the Adults Health and Integration Department are progressing.</p> <p>The Place Director is a permanent and full member of the Cheshire East Health and Wellbeing Board.</p> <p>Ensuring local priorities are understood and communicated.</p> <p>Partners are currently refreshing the Cheshire East Health and Wellbeing Strategy to ensure that aims and ambitions are relevant post-pandemic, and joint outcomes, a joint implementation plan and a shared performance management framework are in development.</p> <p>A shared approach to communicating with residents has yet to be developed.</p>
<p>Progress update for 2022/23 AGS</p>	<p>The governance arrangements set out above have been enacted and are functioning well locally. The joint outcomes framework, strategy implementation plan and performance framework are progressing well and have been developed in co-production with partners.</p> <p>The Cheshire East partnership is flourishing and a recent review of hospital discharge arrangements, carried out in Cheshire and Merseyside by the national discharge team, has commented on the strength of Cheshire East leadership and partnership arrangements.</p> <p>However, concerns about the centralisation of decision making at a regional level remain. Late engagement with local authority partners in areas of legitimate interest to local authorities is common practice.</p> <p>A number of specific interventions have been made, including a letter from the Leader setting out the Council's concerns.</p> <p>We will continue to use the formal governance arrangements available to scrutinise the ICS whilst continuing to strengthen local partnership arrangements to deliver local priorities.</p>

	Council approved the Health and Care Partnership Terms of Reference on 18th October 2023.
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<u>ASDV Governance</u>	
Description of issue at the time of inclusion in AGS	<p>The governance of wholly owned companies across the local government sector has come under the spotlight following failures which have resulted in the publication of Public Interest Reports.</p> <p>Those reports highlighted that failings in the governance of those companies resulted in “institutional blindness” and a failure to recognise, understand, and so address commercial pressures and conflicts of interest. These governance failings resulted in high profile financial losses and reputational damage to those Councils and in some cases external intervention.</p> <p>In the light of these high-profile company failures, CIPFA have recently published guidance aimed at mitigating the risk to local authorities of company ownership. Whilst framed as guidance, its status is such that it will affect reporting and external assessment of the Council. There is therefore merit in being pro-active and taking action in response to these highlighted risks.</p> <p>A comparison of the Council’s current governance arrangements against the CIPFA guidance has highlighted risks in the current company structures, and with the levels of transparency and assurance. Improvement in the reporting and assurance can be achieved which will mitigate these risks and bring Cheshire East’s arrangements in line with best practice.</p>
Responsibility	Director of Governance and Compliance
Action proposed at the time of inclusion in the AGS	<p>Work has been undertaken to identify proposed changes to the current ASDV governance and reporting arrangements to ensure that they broadly align with the good practice as described in the CIPFA guidance.</p> <p>This has also proposed that a full review of the overall company structures and governance arrangements is undertaken and that a reporting structure is implemented to strengthen insight into the operation of the Council’s ASDVs.</p> <p>The review is proposed to include a review of directors, the process for their appointment, and the training and support provided to them.</p> <p>A working group has been established and stage 1 of the review was completed in December 2022.</p>
Progress update for 2022/23 AGS	Work has continued following the commencement of the ASDV governance review, as considered by the Finance Sub Committee in September 2022. The outcome of the review was brought back to the Sub Committee in September 2023 when the following

	<p>amendments to structure of the companies were approved to strengthen governance:</p> <ul style="list-style-type: none"> • From 18 October 2023, the Board of Directors of each of the wholly owned companies will be comprised as follows: <ul style="list-style-type: none"> ○ Two elected Members will be appointed by the Finance Sub-Committee following an open expression of interest and a transparent process; and ○ Two Council Officers, being 1x Finance Officer (on the recommendation of the Chief Finance Officer) and 1x Service specific officer (on the recommendation of the Chief Executive) ○ The Managing Director of the wholly-owned company; and ○ At least one Director who may be appointed through external advert, being an independent sector specialist appointed for their expertise by the Finance Sub-Committee, supported by the Council's HR service ○ An Observer will continue to be appointed to attend meetings of the Board of each company as the Shareholder representative by the Finance Sub-Committee from amongst its membership • All current and future Director appointments will be subject to a Shareholder approved service contract, and all Directors will be required to enter into this contract as part of their new or continuing appointment • Amended shareholder agreements were adopted from 18 October 2023 which take into account the above changes <p>Cheshire East Resident First (CERF) no longer forms part of the governance structure of any Council wholly-owned companies and any shares it holds are being transferred to Cheshire East Council.</p> <p>The Shareholder Working Group is continuing to:</p> <ul style="list-style-type: none"> • Undertake a full detailed review of the Shareholder Agreements against the CIPFA guidance and other good practice • Ensure that the wholly-owned companies support the Council's strategic objectives and decision-making • Ensure that an appropriate and proportionate mechanism for control and review of risk is developed • Consider the purpose of Orbitas Bereavement Services and Tatton Park Enterprises • Consider the creation of a timely mechanism for seeking shareholder permissions between scheduled committee meetings
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	<ul style="list-style-type: none"> • Develop a business planning template to be implemented across the wholly-owned companies <p>The Shareholder Working Group had an initial meeting in October 2023 to begin to exercise oversight on the progress in achieving the outcomes set by Finance Sub Committee and was presented with a workplan for agreement at their meeting in December 2023.</p> <p>The Terms of Reference for the Group have been refreshed.</p> <p>A revised shareholder agreement has been sent to the Ansa Board for approval and adoption.</p> <p>A form of advert for expressions of interest for Directors positions has been drafted for agreement by Finance Sub Committee and Shareholder Working Group members and an interview process (via Panel) proposed.</p> <p>A broader review of company purpose and revision of governance documents has commenced, and the Finance Sub Committee have been briefed on initial observations upon governance and commercial activity.</p> <p>Company risk registers and strategic decisions made by the companies now form part of the reporting and monitoring mechanisms.</p> <p>The Shareholder Working Group are to receive Board approved business plans and Finance Sub Committee approval is being sought for commercial opportunities.</p> <p>Corporate Policy Committee now have sight of companies' risks as a separate category on the strategic risk register.</p> <p>The Council's risk appetite in respect of the companies is 'Low' and Finance Sub Committee have indicated that the companies should maintain a low-risk approach to business activity.</p>
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Planning	
Description of issue at the time of inclusion in AGS	<p>In November 21, the Chief Executive and Environment and Communities Committee requested an objective review of the planning application backlog in Planning Services be undertaken.</p> <p>The backlog had accumulated over some time as a result of increasing workloads, vacant posts and impacts on delivering the service from the Covid 19 pandemic. The backlog was significant in number and was attracting complaints about the service from both within and beyond the Council, with potential for reputational</p>

	<p>damage to both the Local Planning Authority and the Council. An objective Deep Dive review was undertaken, led by the Executive Director of Place.</p> <p>The findings, recommendations and next steps for the service were received and noted by the Environment and Communities Committee on 31 October 22. It was also noted that a range of measures had already been implemented, particularly in relation to reducing the backlog of planning applications.</p>
Responsibility	Executive Director of Place
Action proposed at the time of inclusion in the AGS	<p>The review has produced a detailed Modernisation Plan for the service including a significant number of actions and improvements that have been identified through the review.</p> <p>Workstream leads have been identified and many actions are underway, implemented or partially implemented from the review.</p> <p>Work to remove the applications backlog had advanced in recent months although workloads remain significant in the service.</p> <p>Performance scorecards have been developed to report to the new Modernisation Board - when established this introduces a new level of reporting and governance for the Modernisation Plan. Terms of Reference for the Board are now agreed.</p> <p>Performance reports from the service will continue to be reported to the Environment and Communities Committee with additional regular oversight by CLT also being introduced to monitor progress within the service.</p>
Progress update for 2022/23 AGS	<p>Work continues with the implementation of the recommendations in the Modernisation Plan and significant progress has been made to reduce the backlog of planning applications and a number of other actions.</p> <p>Workloads still remain significantly high across the service – particularly in relation to application caseloads. Work is underway with statutory consultees in other parts of the council (such as greenspace and flood risk) where there are also backlogs which are impacting on planning decision timescales.</p> <p>Teams are working in collaboration to address these challenges and improve performance in these associated areas.</p> <p>The Transformation Board is now established to provide support, guidance and new governance to the service moving forwards.</p> <p>The implementation of new IT system has been delayed and CEC is in legal discussions with the supplier in this regard. This project is absorbing significant resource from the planning service in order to redesign areas of workflow to enable transition to the new</p>

	<p>system which is now scheduled for November. This is impacting on available resource to deliver service transformation.</p> <p>Work has started on the restructure of the Planning Service who have been diverted from planning applications to the IT project. A complaints pilot has been completed with a reduction in stage 2 complaints being received in the service. The service is approximately 9 months into an anticipated 18 month period of change required to implement the service review findings.</p> <p>The Audit and Governance Committee received a report detailing the key findings from Internal Audit's review of arrangements for the management and monitoring of S106 agreements on the 28 September 2023. At this meeting, it was agreed that the Committee would receive an update on progress in implementing the audit actions in March 2024 and a further update in 12 months' time.</p> <p>In addition to the above, the Committee resolved to write to the Environment and Communities Committee to seek an invitation for the Chair and Vice Chair of the Audit and Governance Committee and the Finance Sub-Committee to attend the first meeting of the Environment and Communities working group to relay the concerns of the Audit and Governance Committee.</p> <p>It was also agreed that an urgent confidential meeting be requested to the Chair and Vice Chair of both the Environment and Communities Committee and Finance Sub-Committee to discuss the findings of the S106 Internal Audit Review and agree oversight arrangements for monitoring the implementation of agreed actions.</p> <p>The S106 Working Group is now set up and has met twice before the 6th February 2024, attended by representatives from Environment & Communities Committee, Audit & Governance Committee and Finance Sub Committee.</p>
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Cheshire East Safeguarding Children's Partnership (CESCP) Governance	
Description of issue at the time of inclusion in AGS	<p>In July 2022, a joint targeted area inspection (JTAI) of the CESCP was undertaken. The inspection identified strategic weaknesses in the leadership, function, purpose and impact of the work of the local safeguarding children's partnership and its sub-groups and recommended that across the partnership, leaders should ensure that operational practice reduces risk of exploitation of children.</p> <p>An Internal Audit review that was underway at the time of the unannounced inspection also identified weaknesses in the governance arrangements for the Partnership.</p>
Responsibility	Executive Director of Children's Services

<p>Action proposed at the time of inclusion in the AGS</p>	<p>Cheshire East Council as the principal authority for the Partnership was required to provide a multi-agency written statement of proposed action by 5 January 2023. This improvement action plan has been submitted.</p> <p>In addition, an Improvement Advisor has been appointed by the Department for Education to support the partnership in meeting its improvement goals.</p> <p>An Improvement Board has been formed to oversee the progress against the action plan. This will be chaired by the independent Improvement Advisor.</p> <p>Progress will be further scrutinised by the Cheshire East Council Chief Executive, Chief Constable and a senior NHS representative. The Board will meet monthly until all the identified improvements have been successfully implemented.</p> <p>Regular reports on progress will be provided to Children and Families Committee.</p>
<p>Progress update for 2022/23 AGS</p>	<p>A comprehensive multi-agency 12-month action plan was developed to address the findings within the inspection letter in October 2022. This was submitted to Ofsted as required on 5 January 2023 and reported to the Children and Families Committee on 16 January 2023. A further progress update will be provided to committee on 10 July 2023.</p> <p>Governance arrangements were established commencing in November 2022 to ensure there is dedicated and senior oversight and scrutiny of progress against the plan. Monthly scrutiny of progress against the plan is provided by a multi-agency Improvement Board. Progress is also scrutinised by the chief officers for the statutory partners.</p> <p>The Partnership has received support, scrutiny, and challenge around the improvements from a Department for Education (DfE) Children's Improvement Advisor since January 2023. The DfE Children's Improvement Advisor has met with key strategic leads and observed operational partnership meetings which consider the risks to individual children and young people and provides challenge and scrutiny as the independent chair of the partnership Improvement Board.</p> <p>On 7 June 2023 a six-month review took place led by the DfE, and involving the Leader of the Council, the Chief Executive for the Council, Lead Member for Children and Families, key representatives from the partnership, and a group of partnership frontline practitioners, to review progress in making improvements since the inspection. The DfE acknowledged the progress and</p>

	<p>impact for children and young people at risk of exploitation which had been achieved by the partnership:</p> <p><i>“Overall, the council has made positive progress in addressing the issues identified at the time of the JTAI Ofsted inspection in July 2022. The improvement and transformation required is now better understood and, as a result, children’s services have been better prioritised within the council. There is now stronger leadership and expertise in the service, which has had a positive impact on culture and performance.”</i> Findings from the DfE six-month post JTAI review in June 2023.</p> <p>We better understand the cohort of children who are at risk of exploitation, ensuring that children receive the right support at the right time. The number of children at risk has reduced as a result of increased scrutiny of this cohort and effective intervention.</p> <p>As a Partnership we are working to improve coordination of support for children at risk, as well as provide specialist expertise, through building a dedicated multi-agency contextual safeguarding team with support from our sector lead improvement partner.</p> <p>To improve the impact and effectiveness of the Partnership on children’s outcomes, the Safeguarding Children’s Partnership has implemented changes based on a review by an independent scrutineer and has held two multi-agency learning hubs as part of its new quality assurance arrangements.</p> <p>An 11-month review of the improvement plan was held on 18 December 2023, and it was a very positive day. Practitioners and senior managers and leaders participated in the day and were able to showcase the hard work that has been put in to improving practice and outcomes for children at risk of exploitation and harm.</p> <p><i>“Overall, the council has made positive progress in improving the quality of multi-agency safeguarding practices since June 2023. The transformation required is now well understood and leadership teams have implemented many necessary changes to strengthen culture and performance.</i></p> <p><i>Focus groups, at all levels, reported that a culture of high-support-high-challenge is now embedded into practice, which has created a range of benefits including improved timeliness in responding to the needs of vulnerable children, improved information sharing and greater accountability across agencies.</i></p> <p><i>We were impressed with the strides that the council and partners have made in implementing a child-centred approach to safeguarding vulnerable children. Staff spoke confidently about creating a safe environment for vulnerable children by prioritising</i></p>
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	<p><i>activities to build a trusted relationship and by working creatively with other practitioners to provide a wrap-around service. For example, social workers are now acknowledging a child's friendship group and connecting with other relevant social workers to build a broader network of support for children.</i></p> <p><i>The themes raised across all feedback groups were consistent and a sign of genuine change within Cheshire East's children's services. While it is recognised that there are still improvements to be made, the leadership team seem much clearer on the council's and partnership's direction of travel than they were in the review in June 2023. Overall, we were presented with an improving picture of Cheshire East's multi agency response to the criminal exploitation of children. It is clear that the local authority has, along with partners, undertaken a great deal of work to target those areas identified at the JTAI inspection and at the Department's six-month review."</i></p> <p>The Department for Education is satisfied that systems and processes are in place to protect children and the specific JTAI related monitoring is to be stepped down and further practice improvements will be monitored and scrutinised through business-as-usual arrangements.</p> <p>It is therefore proposed that this issue is removed from future annual governance statements.</p>
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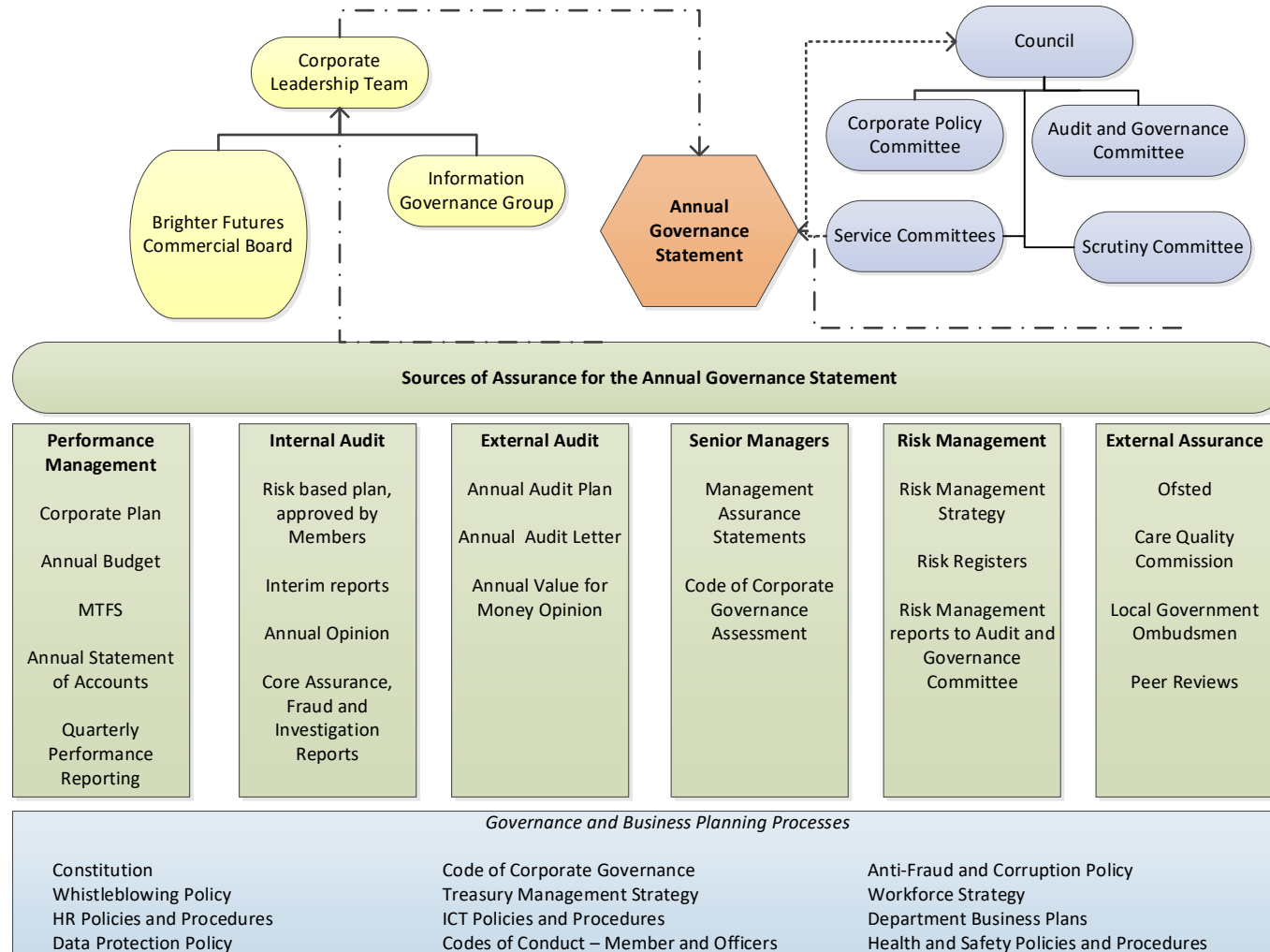
8. Significant Governance Issues 2022/23

- 8.1. The significant governance issues the Council recognises as arising during 2022/23 are detailed below. 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 implementing and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Leadership Team and reported to the Audit and Governance Committee.

<u>Executive and Wider Leadership Team Capacity</u>	
Description of issue at the time of inclusion in AGS	<p>The Council's Corporate Leadership Team (CLT) comprises the Chief Executive as Head of Paid Service, with the most senior officers of the organisation; Executive Directors for each of the Council's 4 Directorates and the Council's Statutory Officers, (S151 Officer and Monitoring Officer). CLT meetings are also regularly attended by the Cheshire East Place Director (Cheshire and Merseyside Integrated Care Board).</p> <p>During 2022/23, interim arrangements were introduced to manage the absence of the Executive Director, Place, ensuring that there is senior leadership capacity in the Directorate. In October 2023,</p>

	<p>the Executive Director, Place left the Council, and it was confirmed that the interim arrangements have continued. However, these interim arrangements are not subject to backfill which impacts upon the wider management capacity within the Place directorate.</p> <p>In May 2023, the Executive Director, Corporate Services left the organisation, and interim management arrangements are in place for this Directorate, which ensures direct reporting lines between the Head of Paid Service and the Section 151 and Monitoring Officer roles.</p> <p>In July 2023, the former Chief Executive was announced as the preferred candidate for the Chief Executive role at Bradford Council and was subsequently confirmed in that post. The former Chief Executive left Cheshire East Council on the 13 October 2023.</p> <p>On the 18 October 2023, Council appointed an Interim Chief Executive with immediate effect whilst the ongoing recruitment process for a permanent candidate took place.</p> <p>On 13 December 2023, Council appointed a permanent Chief Executive who took up post on 3 January 2024.</p> <p>In February 2024, it was announced that the Section 151 Officer will be leaving the Council in May 2024 and interim arrangements are being put in place pending a permanent appointment to the role.</p> <p>Ensuring that there are sufficient and stable senior management arrangements for an organisation the size and complexity of Cheshire East Council must always be balanced against ensuring the arrangements are proportionate and offer effective and efficient use of resources.</p>
Responsibility	Chief Executive
Action proposed at the time of inclusion in the AGS	To review the Corporate Leadership Team and wider senior management structure to ensure sufficient capacity to meet statutory responsibilities and deliver the transformation programme required to meet the objectives and address the financial position of the Council.

Appendix 2: The Governance Framework 2022/23



Appendix 3: The Committee Structure

