

Audit and Governance Committee

Agenda

Date: Thursday, 25th September, 2014
Time: 10.00 am
Venue: West Committee Room - Municipal Buildings, Earle Street, Crewe, CW1 2BJ

The agenda is divided into 2 parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Apologies for Absence**

2. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any disclosable pecuniary and non-pecuniary interests in any item on the agenda.

3. **Public Speaking Time/Open Session**

In accordance with Procedure Rules Nos.11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the Committee.

Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given.

It is not required to give notice of the intention to make use of public speaking provision, however, as a matter of courtesy, a period of 24 hours notice is encouraged.

For requests for further information

Contact: Cherry Foreman

Tel: 01270 686463

E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies

4. **Minutes of Previous meeting** (Pages 1 - 6)

To approve the minutes of the meeting held on 26 June 2014 as a correct record.

5. **External Audit - Audit Findings Report 2013/14**

Report to follow.

6. **Audit Findings and Action Plan 2013/14**

Report to follow.

7. **Statement of Audited Accounts 2013/14**

Report to follow.

8. **Annual Governance Statement 2013/14**

Report to follow.

9. **Annual Report 2013/14**

Report to follow.

10. **Report on Customer Feedback** (Pages 7 - 26)

To consider customer feedback, complaints, compliments and referrals to the Local Government Ombudsman 2013/14.

11. **Treasury Management Update Report** (Pages 27 - 46)

To note treasury management activity for 2013/14.

12. **Work Plan** (Pages 47 - 62)

To consider the work plan, to note its changes and to determine any required amendments.

CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 26th June, 2014 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor J Wray (Chairman)
Councillor L Brown (Vice-Chairman)

Councillors S Corcoran, M Hardy, A Kolker, D Marren, F Keegan, S Hogben and B Murphy.

Councillors in attendance:

Councillors Rhoda Bailey, P Hoyland and B Moran.

Officers in attendance:

Peter Bates – Chief Operating Officer
Anita Bradley – Head of Legal Services and Monitoring Officer
Joanne Butler – Performance and Risk Management
Tony Crane – Director of Childrens Services (*item 8 only*)
Nigel Moorhouse – Head of Social Care (*item 8 only*)
Jon Robinson – Audit Manager
Neil Taylor – Audit Manager
Judith Tench – Head of Corporate Resources and Stewardship
Alex Thompson – Corporate Manager Planning and Performance
Jo Wilcox – Corporate Finance Manager
Cherry Foreman – Democratic Services Officer

External Auditor (Grant Thornton)

Jon Roberts

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R Fletcher, D Flude, L Roberts and M Simon.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public wished to speak at the meeting.

4 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting held on 27 March 2014 be approved as a correct record.

5 GRANT THORNTON - EMERGING ISSUES BRIEFING

Consideration was given to emerging national issues and developments that might be of relevance to the Council, identified by Grant Thornton the Council's External Auditors. Jon Roberts from Grant Thornton introduced the report and highlighted sections dealing with issues for the 2013/14 closedown, guidance on fraud prevention, and planned training events. He answered questions regarding waste management, and confirmed that the accounts were included for the wholly owned companies operating in 2013/14.

It was confirmed that from June 2014 the report will also be shared with the Corporate Leadership Board and the relevant Portfolio Holders; this would strengthen awareness and ensure that issues and their implications were fully considered by the relevant section of the Council.

RESOLVED

That the Emerging Issues Briefing Report be noted.

6 ARRANGEMENTS REVIEW FOR BREACHES OF MEMBERS CODE OF CONDUCT

Revised arrangements for dealing with standards allegations under the Localism Act 2011 were considered by the Committee. This followed a review of the procedure that had been adopted by the Council in July 2012; an Appendix to the report set out the proposed new arrangements in detail.

The review of arrangements for assessing and investigating member complaints had shown that the main criticisms of both subject members and complainants were of delay and complexity. The report set out the proposed changes under which the initial assessment of complaints would be undertaken by the Monitoring Officer, in consultation with an Independent Person, with the emphasis being on the Monitoring Officer dealing with complaints in a timely manner. The assessment criteria had been amended to state that the Council will not normally investigate or pursue other action if the events occurred more than 6 months prior to the complaint being submitted (except in exceptional circumstances), this had been reduced from 12 months. It detailed changes to the informal resolution process, which would not include a public hearing, and for public local hearings which were to follow a full investigation. It was not intended there would be an appeal process at any stage, the emphasis being on running a fair process in which members could be confident.

The Head of Legal Services and Monitoring Officer informed the Committee that the scheme proposed, whilst adopted for the needs of Cheshire East Council, was similar to many across the country. In response to a question concerning the sanctions that could be imposed by the Hearing Sub-Committee it was agreed that "if relevant to the subject matter of the complaint" be added to the wording regarding withdrawal of facilities and exclusion from premises.

The Committee welcomed the proposed revisions and requested that a review of the scheme be carried out 12 months after implementation.

RESOLVED

1. That Council be recommended to approve the revised arrangements for dealing with standards allegations under the Localism Act 2011, as detailed in Appendix 1 of the report.
2. That the revised arrangements be reviewed 12 months after implementation, and reported to the next Audit and Governance Committee, including the views of the Independent Persons who have assisted in the process.

7 INTERNAL AUDIT ANNUAL REPORT 2013/14

Consideration was given to a report on the Internal Audit Managers' opinion of the overall adequacy and effectiveness of the Council's control environment for 2013/14.

Members were advised that Internal Audit played a vital role in advising the Council, via the Audit and Governance Committee, that the appropriate risk management processes, control systems, accounting records and governance arrangements were in place. The Audit Managers' opinion, set out in section 3 of the appendix to the report states that the Council's framework of risk management, control and governance had been assessed as adequate for 2013/14; and that the framework continues to be developed as the Council progressed through a period of rapid and unprecedented change.

As with the External Auditor's Emerging Issues report this report was also shared with the Corporate Leadership Board to ensure its findings are disseminated to the appropriate teams and actioned and implemented in a timely way. In response to a request from the Committee it was confirmed that, if appropriate, a service manager could be asked to attend an Audit and Governance Committee meeting to further discuss recommendations or findings.

RESOLVED

That the opinion of the Internal Auditor for 2013/14 be noted.

8 ANNUAL REPORT 2013/14 ON RISK MANAGEMENT

The Committee considered the annual report of the Corporate Risk Management Group for 2013/14, and also proposed minor changes to the Risk Management Policy.

The plan to become a strategic commissioning Council had been set out in February 2013 and was, therefore, part way to completion. The purpose of the Risk Management Group was to assist the Council with the management of risks and, over the year, it had assisted and demonstrated the improvements that had been made and also added value by improving communication and raising greater awareness of projects, initiatives and activity.

In addition the Group had also reviewed the Risk Management Policy and a number of minor amendments had been made to strengthen it; this included a new section on risk management and thresholds, and updated details on reports and their frequency. The Policy included a foreword by the Portfolio Holder for

Strategic Communities and the Committee asked for consideration to be given to amending 'a higher risk appetite' to 'an appropriate risk appetite' in the last sentence of para 1.2 as it was considered to be a more useful description.

In accordance with the request made at the last meeting of the Committee Tony Crane, the Director of Children's Services and Nigel Moorhouse, the Head of Social Care, attended the meeting to discuss the risk relating to the protection of children and young people (Corporate Risk 15 (13/14)) with particular regard to the recruitment and retention of qualified and competent social workers and supervisors. The existing controls, evidence, and the planned actions for the service, were detailed in a paper circulated at the meeting and Members had the opportunity to ask questions.

RESOLVED

1. That the Annual Risk Management report be noted.
2. That Cabinet be recommended to approve the minor changes to the Risk Management Policy, as detailed in Appendix A of the report, with the additional amendment to the wording in the foreword as now requested and as detailed above.

9 DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

The draft Annual Governance Statement for 2013/14 was submitted for comment prior to consideration of the final statement at the September meeting of the Committee.

The Chief Operating Officer endorsed the Internal Auditors opinion that the Council's control environment was adequate, explaining the level of achievement and progress made during the course of the Councils' transition. Through reviews carried out in the production of the statement it could be demonstrated that work within the Council was generally carried out to the high standards local people expected and needed and that the culture, values and ways of working reduced the opportunity for poor or inappropriate practice and increased the likelihood of detection and rectification if they did.

The Committee requested that the following amendments be made to the draft: -

- para 2.4 - remove reference to the national debt
- para 2.6 – remove PLC

RESOLVED

1. That the draft Annual Governance Statement be noted and that the above amendments be included.
2. That it be noted that the final Annual Governance Statement will be considered by the Committee at its meeting in September for approval prior to publication on the Council's website.

10 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2013/14

Consideration was given to the pre-audit Statement of Accounts 2013/14, due to be published on the Council's website by 30 June 2014. The report provided members with an insight into the strong financial and operational performance delivered in that period, and highlighted some of the key elements, with the focus being on the delivery of sustainable quality cost effective services needed by residents and businesses.

The headline outturn position for 2013/14 showed an underspend of £897,000 0.35%, and the creation of new reserves of £12.4 m. The overall level of reserves was now considered sufficient to protect the Council against its assessed financial risks as well as providing opportunities for future investment in its defined priorities.

RESOLVED

1. That it be noted that the pre-audit Statement of Accounts for the year ended 31 March 2014 will be published on the Council's website by 30 June 2014.
2. That the £0.897m surplus generated in 2013/14, and the new earmarked reserves of £12.4m, be noted.

11 WHISTLEBLOWING POLICY

The Committee received an update on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received during 2013. It was reported that 8 reports had been received by Internal Audit and of these 5 did not fall within the scope of the policy, 2 were unsubstantiated following investigation, and 1 was still under investigation.

The Policy had been the subject of regular review since it had been adopted in 2008 and in order to ensure the Council's arrangements were effective it had been compared with examples of best practice. In addition, and to ensure staff were aware of the Policy, a survey had been devised which was due to be issued with a Team Talk article following the adoption of the Policy.

In considering the revised policy the Head of Legal Services agreed to investigate further the inclusion of reference to the Audit Commission hotline in para 11 and to report back to the Committee as necessary.

RESOLVED

1. That the report be noted and the proposed actions for the ongoing review of the Councils' Whistleblowing Policy be noted.
2. That approval be given to the proposed amendments to the Whistleblowing Policy and that the Head of Legal Services report back to the Committee as necessary.

12 WORK PLAN 2014/15

A proposed Work Plan for 2014/15, the revised terms of reference for the Audit and Governance Committee approved by Council on 14 May, and the current memberships of the specialist Member/Officer Groups, were considered by the Committee. With respect to this latter paper the Head of Legal Services and Monitoring Officer requested that the Standards Work Group be retained and it was agreed that it be added with the existing membership of Councillors L Brown, M Hardy, D Marren and J Wray.

In addition the Committee agreed that reports on the following matters be added to the Work Plan.

1. Regulatory Training for all Members of the Committee (1 September 2014)
2. Bettercare Fund (20 November 2014)

RESOLVED

1. That the terms of reference of the Audit and Governance Committee, approved by Council on 14 May 2014, be noted.
2. That subject to the above additions the Work Plan be approved.
3. That subject to the addition of that for Standards the list of Work Groups and memberships be approved.

The meeting commenced at 2.00 pm and concluded at 5.20 pm

Councillor J Wray (Chairman)



Audit and Governance Committee

Annual Report 2013/14

Introduction by the Chair of the Audit and Governance Committee



I am pleased to present the third Annual Report of the Audit and Governance Committee, which describes the Committee's activity over the municipal year to May 2014.

I hope that this Annual Report helps to demonstrate both to the Council and the wider community in general, the important role that is performed by the Audit and Governance Committee and the particular contribution that it makes to the Council's overall governance and control arrangements.

This year has seen a strengthening of governance arrangements within the Council; with positive and improved levels of assurance reported recently to the Committee by External Audit, through the Annual Governance Statement and the Internal Audit Annual Opinion.

As the Council's new Alternative Service Delivery Vehicles (ASDVs) develop, the Committee has and continues to play an important role in ensuring appropriate governance arrangements have been introduced and continue to operate.

It has been pleasing to see the Council's senior leadership team is now in place and established with permanent

appointments, including the Chief Operating Officer, the Head of Legal Services and Monitoring Officer and the Head of Corporate Resources and Stewardship.

During the year, the new CIPFA guidance on Audit Committees was introduced and we have carried out a self-assessment on our Committee with positive initial results. Some areas for improvement have been identified and an action plan developed. A training session for Members of the Committee was held recently, and an assessment against the core knowledge and skills framework is planned. This will be developed further during 2014/15 to help inform the training programme for the Committee.

During the year a major review (by a working group of the Committee) was undertaken to assess the arrangements for considering Member Code of Conduct Complaints procedures. It's very pleasing to note that revised and improved arrangements have now been introduced. These will be reviewed annually to ensure they continue to be fit for purpose and I would like to thank all those who contributed to the new procedures.

Finally, we have recently reviewed and updated the Committee's Terms of Reference. The updated Terms based on recent CIPFA guidance were approved by Council in May 2014 and I'm confident these will assist the Committee in continuing its key governance role as we move through 2014/15 and beyond.

Councillor John Wray
Chair of the Audit and Governance Committee
September 2014

Role and Statement of Purpose of the Audit and Governance Committee

Role of the Audit and Governance Committee

Audit Committees are an essential element of good governance. Good corporate governance requires independent, effective assurance about the adequacy of financial management and reporting. These functions are best delivered by an Audit Committee, independent from the executive and scrutiny functions.

Effective Audit Committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors. They enhance public trust and confidence in the financial governance of an authority.

Statement of Purpose of the Audit and Governance Committee

- 1 The Audit and Governance Committee is a key component of the Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
- 2 It provides an independent assurance to the Council of the adequacy of the risk management framework and the internal control environment.
- 3 It provides independent review of the Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.
- 4 It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 5 It promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).

Review of 2013/14

Governance, Risk and Control within Cheshire East Council

The review of the effectiveness of the governance framework concluded that arrangements continue to be regarded as fit for purpose. (Annual Governance Statement 2013/14)

The Audit and Governance Committee has had a positive impact on improving the governance, risk and control framework and arrangements of the Council during the year, including the following:

- Approving the Council's Statement of Accounts.
- Approving the Council's Annual Governance Statement.
- Approving the Council's updated Code of Corporate Governance.
- Endorsing the governance arrangements for the Council's new Alternative Service Delivery Vehicles.
- Reporting to Council on the Committee's performance for the year.
- Undertaking a self-assessment of the Committee against new CIPFA guidance.
- Reviewing standards training and the process for dealing with complaints under the Code of Conduct for Members.

In addition, the Committee has also received assurances during the year from a variety of sources, including:

- **Financial Statements Opinion (External Audit):** *"It is pleasing to report that we anticipate that we will provide the Council with an unqualified opinion, in line with the reporting timescale required under the Accounts and Audit (England) Regulations 2011."* (September 2014)
- **Value for Money Conclusion (External Audit):** *"Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified vfm conclusion. This is an improvement from the previous year's qualified vfm conclusion and the Council is to be commended for the improvements made to its arrangements during the year."* (September 2014)
- **Internal Audit:** *"The Council's framework of risk management, control and governance is assessed as adequate for 2013/14"* (June 2014)
- **Risk Management:** *"The work of the Corporate Risk Management Group over the year has assisted and demonstrated improvements to the Council's risk management framework, such that it has moved further towards a risk maturity of risk defined, but there are further developments to be made to progress the level of risk maturity of the Council"* (June 2014)

Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The [2013/14 self-assessment](#) was carried out with the Chair and Vice Chair against the new CIPFA guidance, *Audit Committees – Practical Guidance for Local Authorities and Police 2013* and the results reported to the Committee in March 2014. The Committee assessed as compliant or partially compliant against all areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented.

Review of 2013/14

The Committee's [revised Terms of Reference](#), based on the new CIPFA guidance were approved by Council in May 2014. The Committee's 2014/15 Work Plan has been updated and amended in line with the new Terms of Reference to ensure that the Committee continues to work effectively and fulfil its purpose.

The External Auditors Value for Money report findings include: "The Audit and Governance Committee provide adequate challenge but there is scope to improve the focus of its discussions to provide more effective oversight, support and challenge for the Council's financial management and system of internal control". The Chief Operating Officer will continue to work with the Chair/Vice Chair and established Member/Officer Groups to: develop the role of the Committee; further develop the approach to agenda planning; provide and appropriate focus for debate; and implement the improvement actions agreed in response to the effectiveness self-assessment.

Outline of the Work of the Committee

This annual report sets out the work of the Committee during 2013/14, including:

- How the Terms of Reference* have been met (see pages 6 to 8)
- How the Committee has added value/outcomes (see pages 9 to 10)

* Terms of Reference in place for majority of 2013/14. New Terms of Reference were approved by Council in May 2014.

Members of the Committee

Members of the Committee during 2013/14 are set out on pages 11 to 12.

Statutory Requirements, New Guidance and Recommended Practice

During the year, the Committee has carried out a number of statutory requirements such as approving the Financial Statements and approving the AGS. It has also ensured that it is up to date in adopting new guidance and/or recommended practice, including:

- Adopting new Terms of Reference, based on new CIPFA guidance.
- Approving the Internal Audit Charter, based on new Public Sector Internal Audit Standards.
- Undertaking a self-assessment of the Committee, based on new CIPFA guidance.

Training and Development

The following training was carried out during the year:

- Induction for new Members of the Committee
- Statement of Accounts
- Annual Governance Statement

Members of the Committee have also attended external briefings/courses. During 2013/14, the Vice Chair attended the CIPFA *Developing the Audit Committee* event in February 2014.

The Member/Officer Groups continued to meet through 2013/14. The groups enable individual Members to become more involved in specific areas of audit and governance

Review of 2013/14

work as a means of developing in-depth knowledge and expertise, and cover the following areas:

- Audit
- Financial Statements
- Fraud Management
- Governance
- Risk Management

In addition, Members continued to receive copies of the CIPFA Better Governance Forum *Audit Committee Update* featuring a round-up of legislation, reports and developments of interest to Audit & Governance Committee Members.

As part of the Committee's self-assessment (reported to the Committee in March 2014), it was recognised that membership of the Committee needed to be assessed against the core knowledge and skills framework included in the new CIPFA guidance on Audit Committees. A training session in early September 2014 has already been held with a further session covering the knowledge and skills framework planned in November 2014. This will be developed further during 2014/15 to help inform the training programme for the Audit and Governance Committee.

Agendas and Minutes

There were five meetings of the Committee during the year:

- [27th June 2013](#)
- [27th September 2013](#)
- [28th November 2013](#)
- [30th January 2014](#)
- [27th March 2014](#)

Looking Forward to 2014/15

The Committee has an agreed work programme for 2014/15, which includes the many annual statutory requirements (e.g. approval of the Statement of Accounts, approval of the AGS etc.) of the Committee and also those regular reports and assurances it receives on External Audit, Internal Audit, Risk Management, Treasury Management, Whistleblowing and other areas. This work programme is regularly reviewed to ensure that the Committee continues to work effectively and fulfil its purpose.

Also included within the work programme for 2014/15:

- Approval of the new arrangements for dealing with the standards allegations under the Localism Act 2011.
- Approval of amendments to the Whistleblowing Policy.
- Update on the progress of the actions arising from the Committee's 2013/14 self-assessment.
- Review of the governance arrangements for ASDVs.
- Training and development

Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
Annual Report	
Submitting an Annual Report to the Council.	The Committee approved its second annual report, covering the 2012/13 municipal year, at the November 2013 meeting and this report was submitted to Council in December 2013.
Audit	
Overseeing the Council's role and responsibilities in respect of Audit.	<i>Internal Audit:</i> The Committee approved the overall strategy and annual programme of audits (March 2014) and monitored progress against the plan (November 2013 & January 2014). <i>External Audit:</i> The Committee received and considered the work of the External Auditor (all meetings, 2013/14).
Supporting the Council's audit function, both internal and external.	See above.
Considering the Head of Internal Audit's Annual Report and opinion and a summary of internal audit activity and the level of assurance over corporate governance arrangements.	The Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2013. Note: <i>The 2013/14 Annual Report was presented to the Committee in June 2014.</i>
Receiving the Internal Audit Plan and summary reports on performance against the plan.	Internal Audit interim reports against the 2013/14 plan were received in November 2013 and January 2014, with the 2013/14 Internal Audit Plan received in March 2014.
Corporate Governance & Annual Governance Statement	
Overseeing the Council's role and responsibilities in respect of Corporate Governance.	The Committee received and approved the Annual Governance Statement (September 2013), received an update on progress against the 2012/13 AGS Action Plan (November 2013) and endorsed the process for the production of the 2013/14 AGS (November 2013). Note: <i>The draft 2013/14 AGS was brought to Committee in June 2014 with the final version to be approved at the September 2014 meeting.</i>
Developing a Code of Corporate Governance and to undertake as appropriate an assessment of wider governance issues.	The Committee received and approved an update to the Code of Corporate Governance and also received an update on the Corporate Governance Group's ongoing work on the Governance Framework (both November 2013).

Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
Reviewing and approving the Annual Governance Statement.	The Annual Governance Statement 2012/13 was approved at Committee in September 2013.
Financial Statements	
Supporting the Chief Financial Officer in relation to the performance of their duties.	Reports on the Statement of Accounts, including progress and audit thereof were presented at June 2013, September 2013 and November 2013 Committee meetings.
Approving any Council Statement of Accounts as may be required by the relevant Account and Audit Regulations.	The Statement of Accounts 2012/13 was approved at Committee in September 2013.
Considering External Audit and other external agencies reports to those charged with governance as a source of assurance.	The 2012/13 Audit Findings Report and Review of the Council's Arrangements for Securing Financial Resilience was presented to Committee in September 2013 by the External Auditor. The 2012/13 Annual Audit Letter was reported to the Committee in November 2013. The management response to the 2012/13 Audit Findings Report was considered at the November 2013 meeting.
Fraud Management	
Ensuring the Council has in place appropriate policies and mechanisms to safeguard the Council's resources.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013. A report on Compliance with International Standards on Auditing was received by the Committee in March 2014.
Reviewing and making recommendations upon the Whistleblowing arrangements process.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013. A report on Compliance with International Standards on Auditing was received by the Committee in March 2014.
Ensuring that the Council maintains a robust counter fraud culture via the implementation of an Anti-Fraud and Corruption Policy and Strategy.	The Committee considered the outcome of a review of Anti-Fraud and Corruption arrangements in September 2013.
Seeking assurance that Customer Complaint arrangements are robust.	Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 2012/13 presented to Committee in November 2013.

Audit and Governance Committee – How the Terms of Reference have been met in 2013/14

Terms of Reference of Committee	Relevant activity in 2013/14
Risk Management	
Ensuring any Council's Risk Management arrangements are operating effectively.	The Committee receives regular update reports on Risk Management (September 2013, January 2014 and March 2014). In June 2013, the Committee noted the 2012/13 Annual Report of the Corporate Risk Management Group and endorsed changes to the Risk Management Policy.
Where necessary, overseeing and agreeing the arrangements for Members to be indemnified for and insured against risks and liabilities arising from the performance of their duties as Members of the Council, and as the Council's representatives on outside bodies.	General updates on insurance are reported to the Corporate Risk Management Group as part of their remit to review and monitor risks in relation to specific area needs as and when required e.g. Climate Change, Health and Safety, Insurance and the National Fraud Initiative (NFI). A summary of the key points from the insurance updates are included in the Risk Management Update reports to the Committee. Any specific issues relating to Members' indemnity are reported where necessary.
Standards	
Promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).	An annual report recording decisions relating to complaints was submitted to the Committee on 27 March 2014. Audit & Governance Committee Members have attended Complaints Hearings through the year. Operation of the complaints procedure was monitored during 2013/2014 in preparation for a report to Committee in June 2014.
Ensuring that Members receive advice and training as appropriate on the Members Code of Conduct.	Members of the Audit & Governance Committee have been advised on the Code of Conduct during the year.
Granting dispensations under the provisions of the Localism Act 2011 to enable a member or co-opted Member to participate in a meeting of the Authority.	There have been no requests for individual dispensations during 2013/14.

Audit and Governance Committee – How the Committee has added value/outcomes in 2013/14

27 th June 2013	27 th September 2013	28 th November 2013	30 th January 2014	27 th March 2014
Noted the contents of the report on Compliance with International Auditing Standards.	Considered the draft Internal Audit Charter.	Approved the Committee's Annual Report for submission to Council.	Noted the External Audit update.	Noted the report on the numbers and outcomes of complaints under the Code of Conduct for Members.
Considered draft 2012/13 Annual Governance Statement.	Received the External Audit Financial Resilience Report for 2012/13.	Noted the External Auditors' 2012/13 Annual Audit Letter.	Noted the External Audit Certification Report 2012/13.	Noted the External Audit Plan for 2013/14.
Noted the External Audit update.	Approved the 2012/13 Statement of Accounts.	Noted the External Audit update.	Noted the Interim Internal Audit Report.	Noted the External Audit 'emerging issues' report.
Considered key issues within the 2012/13 draft Statement of Accounts.	Approved the 2012/13 Annual Governance Statement.	Considered the management response to the 2012/13 Audit Findings Report.	Recommended for Council to approve the Treasury Management Strategy and the Minimum Reserve Position Statements.	Approved the Internal Audit Plan for 2014/15 and endorsed the approach to internal audit planning.
Noted the 2012/13 Annual Report of the Corporate Risk Management Group and endorsed changes to the Risk Management Policy.	Noted the External Audit Findings Report for 2012/13 and approved the letter of representation to be signed.	Approved update to the Code of Corporate Governance. Noted ongoing work on the Council's Governance Framework and progress in implementing the 2012/13 AGS Action Plan. Endorsed the process for the production of the 2013/14 AGS.	Noted the report on, and the arrangements in place to ensure compliance with, the Data Protection Act, Freedom of Information Act and Environmental Information Regulations.	Noted the report on Compliance with RIPA and Protection of Freedoms Act and agreed that the current arrangements in place ensure that the Council complies with the legislation.
Noted the introduction of	Noted the 2012/13	Noted the Interim Internal	Noted the new CIPFA	Confirmed the

Audit and Governance Committee – How the Committee has added value/outcomes in 2013/14

27 th June 2013	27 th September 2013	28 th November 2013	30 th January 2014	27 th March 2014
the new Public Sector Internal Audit Standards and further actions necessary e.g. development of Audit Charter.	Treasury Management Annual Report and update for the period April – July 2013.	Audit Report and endorsed the approach to achieving adequate audit coverage in the remainder of 2013/14.	guidance on Audit Committees and that the Constitution Working Group was reviewing the Audit & Governance Committee's Terms of Reference.	management response to External Audit's 'Informing the Risk Assessment for Cheshire East', in compliance with International Standards on Auditing.
Noted the Internal Audit Annual Report for 2012/13.	Noted the Risk Management update.	Approved the Internal Audit Charter.	Noted the Risk Management update.	Noted the Risk Management update.
Noted the findings on the Council's use of the Regulation of Investigatory Powers Act (RIPA).	Noted the update on Delegated Decisions and Non Compliances including the revision to procedures.	Noted the update on Anti-Fraud and Corruption arrangements.	Noted the proposed governance, stewardship and control principles for Alternative Service Delivery Vehicles (ASDVs).	Noted the update on waivers of Contract Procedure Rules and revised procedures in this area.
		Noted the 2012/13 Annual Report of Corporate Complaints and the Local Government Ombudsman's 2012/13 Annual Review.		Endorsed the governance arrangements for ASDVs and confirmed that the Committee will review the assurance framework to ensure it remains satisfied with the arrangements.
				Noted the results of the Audit & Governance Committee Self-Assessment and endorsed the actions arising.

Audit and Governance Committee Members 2013/14



Councillor John Wray (Chair)

Councillor Wray has been an elected member of Cheshire East Council since its beginning in April 2009. He joined the Audit and Governance Committee as Chair following the Council meeting on 18th July 2013.



Councillor Louise Brown (Vice-Chair)

Councillor Brown became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee as the Vice-Chair from the 2012/13 municipal year onwards.



Councillor Sam Corcoran

Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.



Councillor Rod Fletcher

Councillor Fletcher has been an elected member of Cheshire East Council since its beginning in April 2009 and has served on the Audit and Governance Committee since May 2011.



Councillor Martin Hardy

Councillor Hardy has been an elected member of Cheshire East Council since its beginning in April 2009. He has served on the Audit and Governance Committee since its inception in June 2010 and was Vice-Chair from May 2011 to January 2012.



Councillor Steven Hogben

Councillor Hogben became an elected member of Cheshire East Council in June 2011 and after attending as a substitute in June 2011, he served on the Audit and Governance Committee from September 2011 until May 2014.

Audit and Governance Committee Members 2013/14



Councillor Andrew Kolker

Councillor Kolker has been an elected member of Cheshire East Council since its beginning in April 2009. He served as Vice-Chair of the Governance and Constitution Committee for a time and has been on the Audit and Governance Committee from June 2010 to date.



Councillor David Marren

Councillor Marren became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then, being Vice-Chair from January 2012 until the end of the 2011/12 municipal year.



Councillor Lloyd Roberts

Councillor Roberts became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee from the start of the 2012/13 municipal year.



Councillor Margaret Simon

Councillor Simon has been an elected member of Cheshire East Council since its beginning in April 2009. She has served on the Audit and Governance Committee since its inception in June 2010 and was Chair for the 2010/11 year.



Councillor John Hammond

Councillor Hammond served on the Audit and Governance Committee since its inception in June 2010 and became the Chair in May 2011. Councillor Hammond stepped down from the Committee following the Council meeting on 18th July 2013 and was replaced as Chair by Councillor John Wray.

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 25th September, 2014
Report of: Customer Relations and Compliance Manager
Subject/Title: Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2013-2014
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

- 1.1 Cheshire East Council is committed to putting residents and businesses first. Listening to and really understanding what is required to provide the best possible solution to satisfy customers' needs is our goal. Feedback is an extremely important and valued part of this process. In 2013/14 the Council has intentionally tried to encourage more feedback across most services and also used particularly targeted campaigns like 'Tell Dave' on Highways. This is a deliberate attempt to encourage customers to feedback both positive and negative experiences about the services they receive.
- 1.2 In a report earlier this year entitled '*More Complaints Please*', the Public Administration Committee (PASC) concluded that organisations must value complaints as 'critical for improving and learning about their services'. Their report suggests that:
- How complaints are handled determines the quality of the relationship between consumers and public services.
 - The best performing organisations welcome complaints as a way of engaging customers.
 - A failure to recognise the importance of complaints leads to insufficient redress for the individual, limits the impact that complaints have in improving services, and alienates the public.
- 1.3 This report reflects on issues, trends and responses across all Council services for 2013/14. This feedback will be used to deliver improvements and relationships as recommended by the PASC. It also provides a summary of the formal feedback received during 2013/14 together with a summary of cases dealt with by the Local Government Ombudsman (LGO).
- 1.4 The Council received 3,488 instances of customer feedback – 1140 (33%) were compliments; 117 (3%) were suggestions, 1482 (42%) were council wide service complaints, 749 (22%) were specific complaints around the changes to green waste collection. (Complaint details are attached at Appendix 1). Excluding the exceptional item of green waste collection the increase in complaints when compared with 2012/13 is around 5%.

- 1.5 The number of recorded compliments remained exactly the same for both years at 1,140. In 2013/14, 60% of these related to Adult Social Care – compared with 69% in 2012/13. The Council also recorded 117 suggestions (113 in 2012/13). These are neither complaints nor compliments, but often suggest changes to policy or working practice.
- 1.6 In addition 245 enquiries from MP's were received by the Chief Executive's Office between October and March 2014. They are not formally recorded on the Council's corporate handling system, but referred directly by the Chief Executive's office to the services to respond.

2.0 Decision Requested

- 2.1 That the Committee notes the contents of this report and makes any further response it considers appropriate.

3.0 Wards Affected

- 3.1 All wards.

4.0 Local Ward Members

- 4.1 Not applicable.

5.0 Policy Implications including - Carbon reduction - Health

- 5.1 Adherence to the Corporate Compliments, Suggestions and Complaints Policy, the Children's Social Care Complaints Policy and the Adults Social Care Complaints Policy are key to ensuring that service users have an effective means of feeding back about our services. This is to ensure that we understand what we are doing well and where we may need to improve services we deliver.

6.0 Financial Implications (authorised by the Chief Operating Officer)

- 6.1 If fault causing injustice is found, Cheshire East Council can be asked to pay compensation to a complainant. A compensation payment is also possible where a matter is settled prior to a formal finding by the Ombudsman. Four compensation payments were made in 2013/14, amounting to £3,000.
- 6.2 Following complaints about changes to the Green Waste Scheme, residents who paid for an additional green bin received a £15 reduction off the annual charge for 2014/15 for each additional bin. This is estimated to cost the council some £22,000 in 2014/15.

7.0 Legal Implications (authorised by the Head of Legal Services and Monitoring Officer)

- 7.1 There are no specific legal issues associated with this report.

8.0 Risk Management

Robust complaint tracking, handling and monitoring arrangements will enable the Council to quickly identify potential internal control issues and areas of regulatory, financial and reputational risk. It is important, therefore, that the action the Council takes following the feedback it receives from customers is appropriate, relevant, implemented and promotes wider learning where necessary. In receiving this report, considering the implications in respect of governance, risk management or control and supporting the development of robust arrangements, the Audit and Governance Committee makes an important contribution to the Council's assurance process.

9.0 Complaints Handling

- 9.1 Once a formal complaint has been recorded it is passed to the Service Manager to respond within 10 days. The customer has a right of appeal (Stage 2) if they are not satisfied with the reply. Stage 2 appeals are handled by an officer independent of the service being complained about. With Adults Social Care complaints, customers are encouraged to come back to the Service Manager if they remain unhappy with the response to their initial complaint. All customers have the right to appeal to the Local Government Ombudsman (LGO) at any stage of the process but the Ombudsman prefers the customer to have exhausted the organisation's complaints procedure first.

9.2 Stage 2 Complaints

Corporate - of the 2,044 corporate complaints received in 2013/14, 50 (2.5%) customers requested a Stage 2 appeal and 11 (0.5%) went straight to Stage 2 (for example in cases where there may have already been lengthy e-mail communications between the service and the customer). This compares with 2012/13 (when there were also 61 Stage 2 appeals) with 46 customers requesting a Stage 2 appeal and 15 going straight to Stage 2. The main areas receiving Stage 2 requests in 2013/14 were Council Tax and Business Rates, Development Management, Housing Benefits and Highways. Of the 61 Stage 2 corporate complaints, 21 (1%) subsequently escalated their complaint to the Local Government Ombudsman.

Children's Social Care - Of the 80 new complaints received in 2013/14, 4 were escalated to Stage 2. At the start of 2013/2014 there were 7 Stage 2 complaints already in progress. Of these 11 Stage 2 complaints, 1 was escalated to the LGO.

Adults Social Care – Adults Social Care received 107 new complaints in 2013/14. The LGO received 17 referrals about Adults Social Care in 2013/14, 9 of which they considered and 3 of which they upheld.

- 9.3 Section 11 of this report and Appendices 2 and 3 provide further information about LGO referrals. It is planned to arrange training, provided by the LGO, in the current financial year for Complaints Coordinators and Stage 2 investigators.

10.0 Frequent Complaints

10.1 The most frequent complaints received by the Council in 2013/14 are detailed below:

Service Area	Most frequent cause for complaint
Waste	<ul style="list-style-type: none"> - Garden waste suspension period - Inconsistent collections - Attitude of waste operatives - Compliance with 5 working days
Highways	<ul style="list-style-type: none"> - Blocked gullies - Potholes - Lack of contact/action following a report - Lack of signage following a diversion
Council Tax	<ul style="list-style-type: none"> - Phone line opening hours - Summons/reminder received - Delays in responding to correspondence
Development Management	<ul style="list-style-type: none"> - Lack of contact by Case Officer - Delays in processing applications - Disagreement with decision
Adults	<ul style="list-style-type: none"> - Care planning - Care practice (external and Care4ce) - Charging - Direct payments - Communications
Children's	<ul style="list-style-type: none"> - Poor communication and lack of information - Delays in completing reports and assessments - Attitude, conduct and behaviour of staff - Inconsistency of care practice, correct procedures not being followed.

10.2 After Waste & Recycling the most frequent complaints into the Council were:

- Highways (13%) - these increased from 212 in 2012/13 to 291 in 2013/14;
- Council Tax (7%), down from 160 in 2012/13 to 155 in 2013/14; and
- Development Management (6%) up from 109 in 2012/13 to 129 in 2013/14.

The Highways Service now operates a new Scheduled and Planned Works Programme for gully emptying. This was an expected response given the promotion of the 'Tell Dave' campaign. Pothole enquiries have reduced with recent Highway Investment Funding, with all enquiries relating to A, B and C roads now inspected within a 5 day period. They have also introduced an escalation process in their own systems to help manage enquiries and reduce missed responses or inactivity.

Many of the Council Tax complaints relate to individual accounts, but discussions are underway to seek general areas for improvement, particularly around telephone opening hours, with complaints feedback being taken into consideration.

In Development Management, there has been heavy officer workload due to the large number of large housing applications and appeals associated with the emerging Local Plan. There are a number of initiatives in progress, including a review of working with Customer Services and increased resource. The service continues to improve customer relations and has identified a need to change; some changes have already been implemented, allowing better management of complaints. Furthermore the service is reviewing the structure of its support team to create and develop a team which will coordinate a more reactive customer response.

Adults Social Care received 107 complaints (down from 136 in the previous year) and Children's Social Care received 80 (1 more than the previous year). There are dedicated Complaints Officers for Social Care complaints, who liaise closely with the senior management teams to provide regular feedback of learning points and actions to be taken.

11.0 Local Government Ombudsman (LGO) referrals

- 11.1 To support openness and to provide complainants with an independent service, they are all offered the opportunity to appeal to the LGO if they are unhappy with the way in which the Council has handled their complaint.
- 11.2 Appendices 2 and 3 show the number of Decision Notices issued to the Council by the LGO during 2012/13 (68 Decision Notices) and 2013/14 (75 Decision Notices). In 2013/14 the LGO received 137 enquiries relating to Cheshire East, and closed 131 cases. Of these 131 closed cases, 56 were not directly referred back to the Council¹, 37 cases were closed after the initial enquiry, 21 were not upheld and 17 (12%) were upheld. The comparative figures for 2012/13 are outlined in Appendix 3. However, during the past two years, the LGO have changed the way in which they report their statistics, with the result that they have been unable to provide the comparative numbers of initial enquiries or total closed cases for 2012/13.
- 11.3 Additionally, during 2013/14, their classification of complaints has changed. The term 'maladministration' is no longer used and has been replaced with 'fault upheld'. There are also various degrees of 'fault' – causing 'no injustice', 'some injustice' and 'injustice'. Of the 131 closed cases, 17 (13%) were upheld; 6 (4.5%) were judged to be fault with injustice, 5 (4%) fault with some injustice and 6 (4.5%) fault with no injustice. Two complaints resulted in public reports (see Point 11.5).

11.4 Comparisons with other local authorities - LGO Annual Report 2013/14

Cheshire East Council has the 13th largest population of the 325 local authorities compared in the LGO report, and ranked 27th highest, with 137 enquiries made to the LGO in 2013/14. The number of complaints determined

¹ In these cases, the complainant is given advice, referred back for local resolution or advised that the complaint is incomplete or invalid.

in 2013/14 averaged 3.5 per 10,000 population, compared with an average of 3.1 for all councils (ranks 50th of 325).

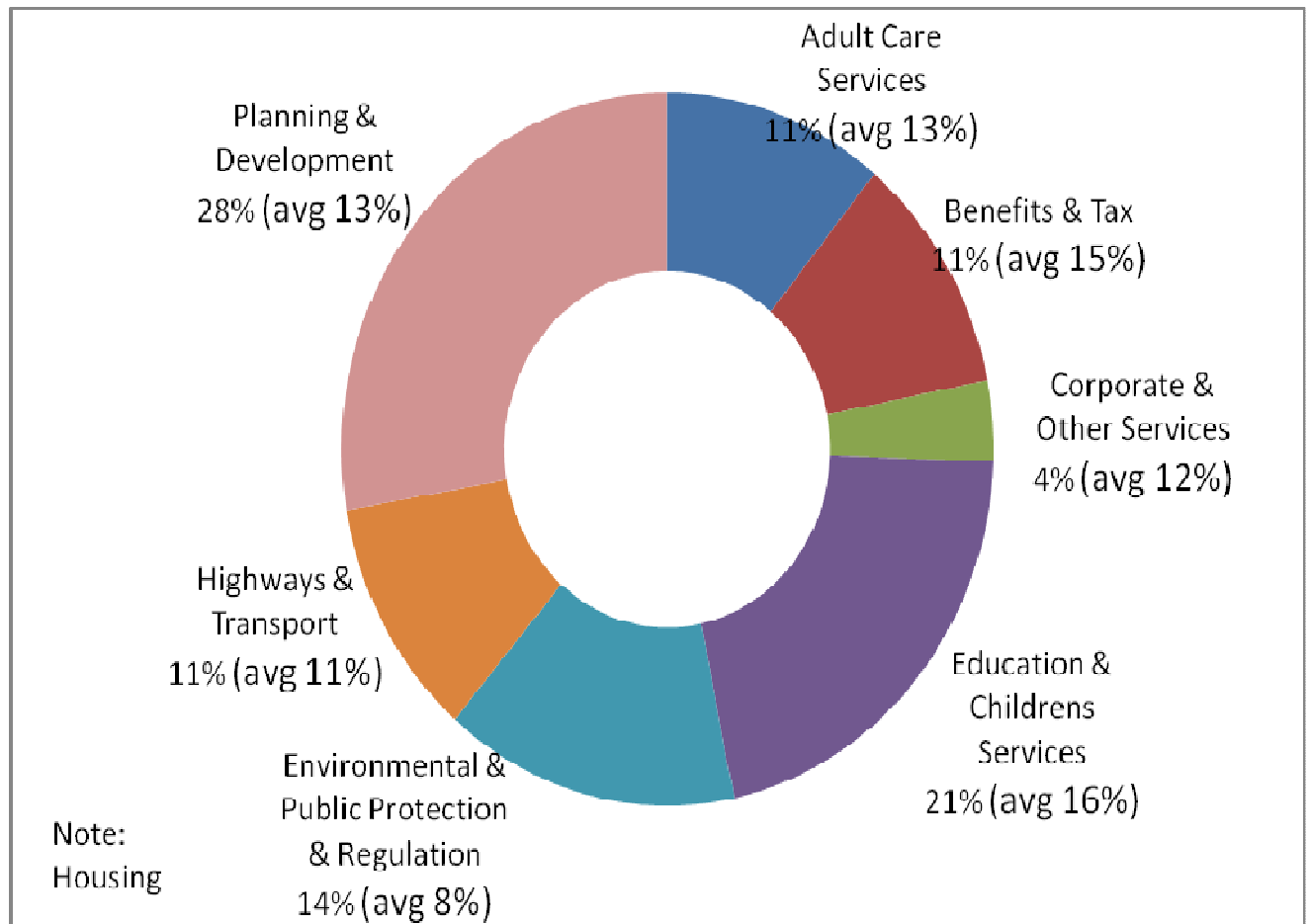
The highest number of enquiries related to Planning and Development - 38 (28%) – this is high compared to other councils. Complaints relating to benefits and corporate issues were below the average for other councils.

Of the total complaints received by the LGO, 38 were referred for a final decision. Of these, 17 (44.7%) were upheld placing the Council 145th of 325.

- 11.5 Two of the Council's complaints resulted in Public Reports. Eight other councils also received two reports, and two were subject to three reports (overall 58 reports were published). The two public reports related to complaints logged before 1.4.13:
- Adult Social Care Public Report - the initial complaint was made in June 2012 and was settled in October 2012, with the service agreeing to undertake the actions recommended by the LGO. The case was reopened some months later because officers had failed to take the actions agreed with the Ombudsman. In such cases, the LGO automatically issues a Public Report.
 - Planning Public Report – this stemmed from two separate complaints to the LGO about the same matter - the administering and subsequent approval of a CLEUD (Certificate of Lawfulness for Existing Use or Development) application in Autumn 2011. A local settlement was suggested by the LGO, but was not agreed by the service, and consequently a public report was issued.

11.6 The chart below shows how complaints were distributed between categories; UK averages are shown in brackets.

- There were no complaints for Housing compared to a UK average of 12%
- The majority of the Council's complaints related to Planning. For other councils Benefits and Children's Services are more likely to receive complaints than Planning.



Enquiries to the LGO 2013/14 (average for other Councils in brackets)

12.0 Enquiries from MP's

- 12.1 Responses to MP's enquiries are co-ordinated by the Chief Executive's Office. The figures below relate to the enquiries from MP's received between October 2013 and March 2014:

Service Area	Number of enquiries from MP's
Adults	6
Business Rates and Council Tax	1
Children's Services	7
Development Management	0
Environmental Protection / Licensing/ Trading Standards	12
Highways and Transportation	108
Housing	7
Housing Benefit	0
Legal / Democratic	0
Leisure	2
Other / General	9
Parking	1
Planning	68
Regeneration	0
Streetscape	4
Waste and Recycling	20
TOTAL	245

- 12.2 The Chief Executive and Chief Operating Officer have agreed to integrate the systems and processes for the recording of MP's enquiries with the Corporate Handling system to ensure a more comprehensive and streamlined approach to total customer feedback in the future.

13.0 Next steps

The Cabinet and the Corporate Leadership Board are committed to improving performance across the Council by responding to and learning from customer feedback.

Training for officers is underway and further training is planned, both internally and in conjunction with the Local Government Ombudsman, to ensure that all officers understand the most effective way of dealing with customer complaints. This training will initially focus on planning to ensure increased customer focus and better handling of all aspects of feedback.

External benchmarking is also being undertaken to ensure that the Council is learning from best practice elsewhere.

Regular meetings take place with the Senior Management Teams in Children's and Adults Social Care to discuss feedback and agree learning points, actions, and follow up of these actions. The Corporate Leadership Board has agreed to extend this good practice to include Senior Management Teams across the Council.

Finally, complaints 'measures' are now being included in the Council's performance management system, and managers will be required to provide commentary on types and numbers of complaints, response times, and actions being taken as a result of the complaints.

14.0 Access to Information

- 14.1 The background papers relating to this report can be inspected by contacting the report writer:

Name: Sandra Smith
Designation: Customer Relations and Compliance Manager
Tel No: 01270 685865

E-mail: sandra.smith@cheshireeast.gov.uk

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Service Area	Complaints Received 2013/2014	Complaints Received 2012/2013
Waste & Recycling	1026	339
Highway Operations	291	212
Council Tax Business Rates & Billing	155	160
Development Management	129	109
Adult Services	109 ¹	136
Children's Services	87 ²	91 ³
Customer Services	82	51
Leisure	57	70
Housing Benefits	51	32
Parking Enforcement	50	26
Grounds Maintenance	42	27
Transport	28	42
Environmental Protection	21	13
Library & Cultural Services	17	24
Mixed Service Area	12	5
Communications & PR	10	3
Assets	10	3
Democratic Services	10	8
Housing	9	10
Education Complaints	9	16
Bereavement	6	1
Building Control	3	0
Green Spaces	3	3
Legal Services	3	0
Community Safety	2	0
Licensing	2	9
Spatial Planning	2	1
Public Toilets	1	0
Land Charges	1	2
HR	1	1
ICT	1	0
Transformation	1	0
Highways Strategy	0	7
Visitor Economy incl. Tatton Park	0	0
Regeneration & Economic Development	0	3
Planning & Performance	0	3
Partnerships Business Manager	0	0

¹ Including 2 complaints not falling within the Adults Social Care complaints criteria

² Including 7 complaints not falling within the Children's Social Care complaints criteria

³ Including 12 complaints not falling within the Children's Social Care complaints criteria

APPENDIX 1a

COMPLAINTS RECEIVED

Internal Audit	0	0
Finance General	0	3
Procurement	0	0
Shared Services	0	1
Total Complaints	2231	1411

Service Area	Compliments Received 2013 / 2014	Compliments Received 2012 / 2013
Adult Services	685	792
Customer Services	127	82
Council Tax Business Rates & Billing	63	39
Waste & Recycling	60	54
Housing Benefits	54	66
Grounds Maintenance	49	16
Highway Operations	47	24
Children's Services	25	29
Library & Cultural Services	11	16
Environmental Protection	4	0
Leisure	4	4
Parking Enforcement	3	0
Development Management	3	10
Licensing	2	0
Building Control	1	2
Regeneration & Economic Development	1	0
Assets	1	0
ICT	0	0
Mixed Service Area	0	0
Bereavement	0	0
Public Toilets	0	0
Community Safety	0	0
Spatial Planning	0	0
Land Charges	0	0
Housing	0	0
Highways Strategy	0	0
Transport	0	3
Visitor Economy incl Tatton Park	0	0
Green Spaces	0	1
Education Complaints	0	0
HR	0	0
Planning & Performance	0	0
Partnerships Business Manager	0	0
Communications & PR	0	0
Internal Audit	0	0
Finance General	0	1
Procurement	0	0
Shared Services	0	0
Legal Services	0	0
Democratic Services	0	1
Transformation	0	0
Total Compliments	1140	1140

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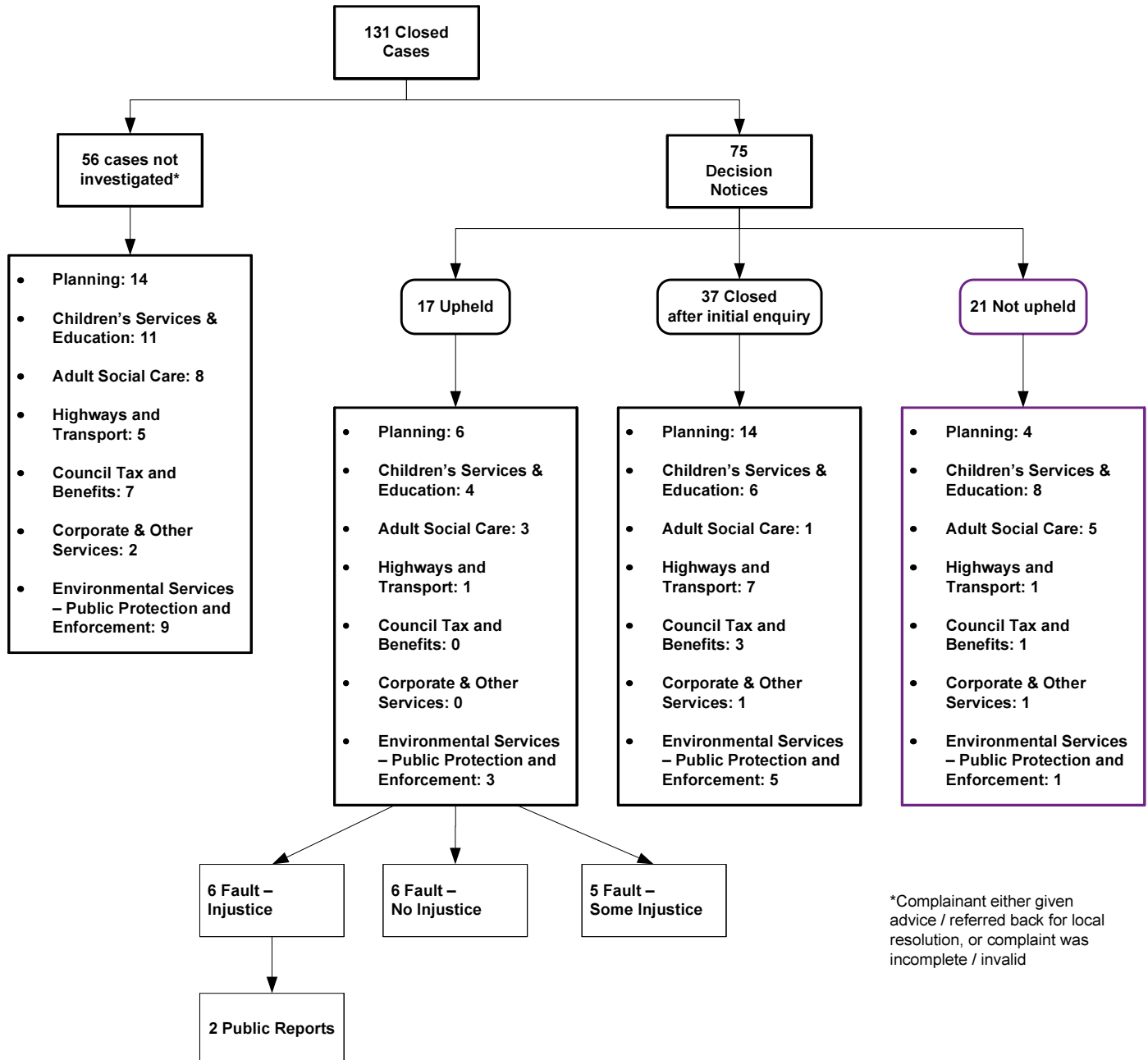
Service Area	Suggestions Received 2013 / 2014	Suggestions Received 2012 / 2013
Children's services*	40	15
Adult's Services*	35	57
Waste & Recycling	21	10
Highway Operations	6	9
Leisure	4	6
Library & Cultural Services	3	2
Partnerships Business Manager	2	1
Licensing	1	0
Environmental Protection	1	0
Spatial Planning	1	0
Highways Strategy	1	0
Customer Services	1	0
Council Tax Business Rates & Billing	1	1
Mixed Service Area	0	0
Bereavement	0	0
Grounds Maintenance	0	2
Public Toilets	0	0
Community Safety	0	0
Parking Enforcement	0	3
Building Control	0	0
Development Management	0	1
Land Charges	0	0
Housing	0	0
Transport	0	0
Visitor Economy incl Tatton Park	0	0
Regeneration & Economic Development	0	2
Green Spaces	0	1
Education Complaints	0	1
HR	0	0
Planning & Performance	0	0
Communications & PR	0	0
Internal Audit	0	0
Assets	0	0
ICT	0	0
Housing Benefits	0	0
Finance General	0	0
Procurement	0	0
Shared Services	0	0
Legal Services	0	0
Democratic Services	0	2
Total Suggestions/Comments	117	113

*In Children's/Adult's Services these can be concerns which have not been dealt with as a formal complaint.

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Appendix 2

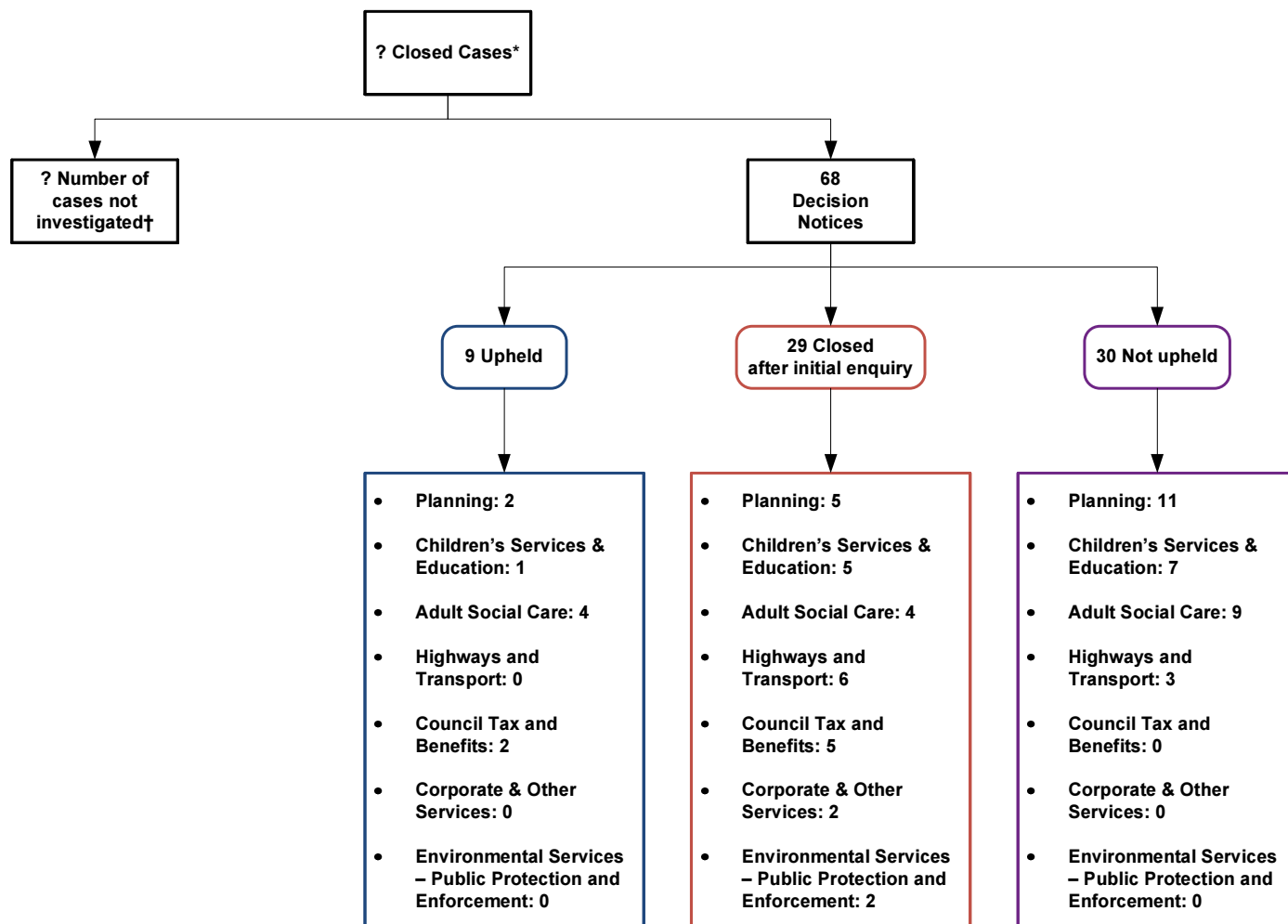
LGO Decision Notices 2013/14



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Appendix 3

LGO Decision Notices 2012/2013



* LGO did not report these in 2012/13

†Complainant either given advice / referred back for local resolution, or complaint was incomplete / invalid

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting:	25 th September 2014
Report of:	Chief Operating Officer
Subject/Title:	Treasury Management Update
Portfolio Holder:	Councillor Peter Raynes

1.0 Report Summary

- 1.1 The Treasury Management Policy requires regular reporting on the performance of the Council's treasury management operation.
- 1.2 This report contains:
 - The Annual Report for 2013/14 which was considered by Cabinet on 16th September 2014 (Appendix A).

2.0 Recommendations

- 2.1 To note the treasury management activity for the period covered in the report.

3.0 Reasons for Recommendations

- 3.1 To meet the requirements of the CIPFA Code of Practice for Treasury Management in the Public Services and the Prudential Code for Capital Finance in Local Authorities.

4.0 Wards Affected

- 4.1 Not applicable

5.0 Local Ward Members

- 5.1 Not applicable

6.0 Policy Implications

- 6.1 None

7.0 Implications for Rural Communities

- 7.1 None

8.0 Financial Implications (Authorised by the Chief Operating Officer)

- 8.1 Contained within the report.

9.0 Legal Implications (Authorised by the Head of Legal Services)

- 9.1 As noted in paragraph C47 of the Finance and Contract Procedure Rules in the Council's Constitution, the Council has adopted CIPFA's *Code of Practice for Treasury Management in Local Authorities* as this is recognised as the accepted standard for this area. C47 to C52 provide further information relating to treasury management practice, and the Code itself will have been developed and based upon relevant legislation and best practice. This report is presented to Cabinet under rule C52.

10.0 Risk Management

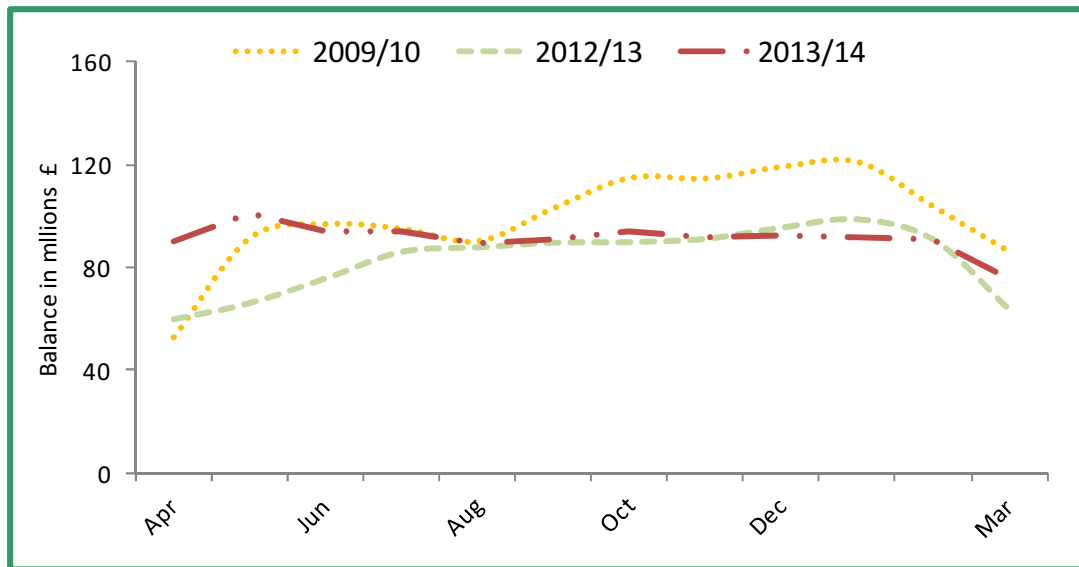
- 10.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.
- 10.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy as no treasury management activity is without risk. The aim is to operate in an environment where risk is clearly identified and managed.
- 10.3 To reduce the risk that the Council will suffer a loss as a result of its treasury management activities down to an acceptable level a number of risk management procedures have been put in place. The procedures cover liquidity risk, credit and counterparty risk, re-financing risk, legal and regulatory risk, and fraud, error and corruption risk. These are referred to within the borrowing and investment strategies, prudential indicators and the Treasury Management Practices Principles and Schedules.
- 10.4 The arrangements for the identification, monitoring and controlling of risk will be reported on a regular basis in accordance with the Strategy.

11.0 Background and Options

- 11.1 The Treasury Management Strategy for 2013/14 was approved by Council on 28th February 2013. Progress reports have been provided to Cabinet throughout the year as part of the Quarterly Financial and Performance Update Reports.
- 11.2 The Council complied with its legislative and regulatory requirements and remained within all of its Prudential Indicators during the year, further details are provided in Annex 1.

- 11.3 The financial year 2013/14 continued the trend of previous years with a challenging treasury management environment of low investment returns and high levels of counterparty risk.
- 11.4 Cash balances remained stable throughout the year. The average cash balance for 2013/14 was £89.6m, (£83.6m in 2012/13).

Chart 1: Actual Cash balances available for investment have remained consistently high since 2009.



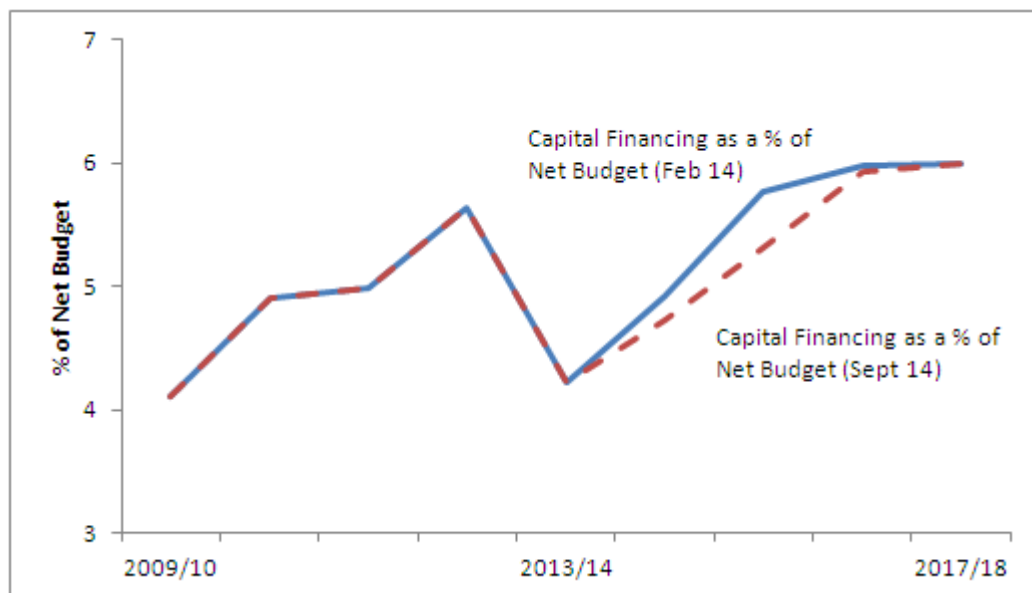
Source: Cheshire East Finance

- 11.5 The working capital requirement of the Alternative Service Delivery Vehicles (ASDV's) may have an impact on the Council's cash balance position in 2014/15, this will be closely monitored and regularly reported throughout the year.
- 11.6 With current interest rates offering low investment returns relative to the cost of raising new long term loans the Council has maintained its overall strategy of using existing cash balances to fund the 2013/14 capital programme.
- 11.7 Actual capital expenditure totalled £65.6m compared to the revised budget of £78.7m. Some of the planned spending for 2013/14 has been re-profiled into 2014/15 and future years to ensure the Council maximises external investment and capital receipts opportunities; thereby reducing the level of the borrowing requirement in the future and the impact on the revenue budget.
- 11.8 The capital programme for 2014/17 is intentionally aspirational, reflecting the Council's ambition to pursue additional external funding. The priority is to ensure expenditure plans are affordable over the medium term; the programme is designed to allow flexibility so that cash flows i.e., the timing of capital receipts and payments, can be monitored and managed to minimise

the risks to the Council of forward funding capital expenditure in advance of realising grant income, developer contributions and proceeds of planned asset sales and disposals. Where temporary borrowing is required this will be funded from internal resources and repaid as soon as receipts allow.

- 11.9 The Council has set itself a limit of c£14m in relation to capital financing charges. This relates to the revenue charges associated with the amount of borrowing taken out. For example, for every additional £10m of borrowing the authority enters into, the capital financing charges increase by £0.800m. The forecast for capital financing costs as a % of the net revenue budget is demonstrated in the chart below.

Chart 2: The impact of capital financing on the revenue budget is being reduced compared to forecasts in February 2014



Source: Cheshire East Finance

- 11.10 The Council continues to reduce its overall level of external debt as no new external borrowing was undertaken and a PWLB loan of £6m was repaid in year.
- 11.11 Other key points to note for 2013/14 are:

- The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels
- The Council received a repayment of £335,000 from the administrators of Heritable Bank.
- Following a retendering exercise, the Council's banking services are now provided by Barclays Bank from 1 April 2014. The banking switch-over was managed very effectively between Council staff and Barclays Bank

personnel and the working relationship has commenced on very solid ground.

11.12 This annual treasury report, detailed in Appendix A covers the:

- Council's capital expenditure and financing during the year;
- Impact of this activity on the Council's underlying Capital Financing Requirement (CFR);
- Treasury position at 31st March 2014 identifying how the Council has borrowed in relation to the CFR and the impact on investment balances;
- Economic factors;
- Detailed investment and debt activity;
- Reporting of the required prudential and treasury indicators.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

Name:	Joanne Wilcox
Designation:	Corporate Finance Manager
Tel No:	01270 685869
Email:	joanne.wilcox@cheshireeast.gov.uk

Appendix A – Treasury Management Annual Report 2013/14

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Treasury Management Annual Report 2013/14



Introduction

Treasury management is defined as: “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1. Treasury Year End Position

The amount of investments outstanding at 31st March 2014 was £61.1m (compared to £68.5m as at 31 March 2013) as follows:

	31/03/13	31/03/14
	£m	£m
BANKS (Fixed and Certificates of Deposit)		
Barclays Bank	-	5.0
Lloyds TSB	6.0	3.0
Close Bros	-	3.0
Standard Chartered Bank	2.0	2.0
Nationwide Building Society	-	2.0
MONEY MARKET FUNDS		
IGNIS	8.5	7.6
Federated Investors	6.5	5.9
Morgan Stanley	-	4.5
Deutsche	3.0	0.9
Scottish Widows	3.9	1.5
INSTANT ACCESS ACCOUNTS		
Santander (UK)	8.5	5.3
Royal Bank of Scotland	5.5	-
Co-op Reserve	1.5	-
NOTICE ACCOUNTS		
Royal Bank of Scotland	3.0	-
MANAGED FUNDS		
Investec – Pooled Funds	20.1	20.4
TOTAL	68.5	61.1

The net investment income received in 2013/2014 after allowing for fees and interest due to the Growing Places fund was £753,000. This is favourable compared to the budget of £320,000. The investment income includes £335,000 relating to deposits made by the former Cheshire County Council with the Icelandic Heritable Bank which were received in 2013/14.

The overall average rate of interest on all investments in 2013/14 was 0.50% compared to the benchmark 7 day LIBID return of 0.41%. The base rate remained at 0.50% for the full year.

Investment income forms part of the capital financing budget, which also includes the amount charged in respect of the repayment of outstanding debt and the amount of interest payable on the Council's portfolio of long term loans. The capital financing budget for 2013/14 was £11.9m which accounts for 4.6% of the Council's total revenue budget. Overall the budget was under spent by £0.9m. As cash balances remained stable throughout the year no additional external borrowing was undertaken, resulting in lower external interest charges than budgeted.

We will continue to monitor performance during 2014/15 through the benchmarking service provided by the Council's Treasury Management Advisors, Arlingclose.

2. Icelandic Bank Deposits

Repayment of monies due from Heritable Bank has continued. In August 2011 the administrators announced that we are likely to receive around 88% of the original claim. However, further receipts in 2013/14 have brought the total amount repaid to date to 94% enabling part of the original impairment to be reversed. There is still the possibility of a further receipt dependent on the outcome of legal proceedings currently affecting the entitlement of other parties.

From the total claim of £4.62m we have now received £4.35m (94%).

3. Interest Rates and Prospects for 2013/14

The Councils' treasury advisors, as part of their service assisted in formulating a view on interest rates. However, there has been no change to the bank base rate since March 2009.

4. Compliance with Treasury Limits

During the financial year the Councils' operated within the treasury limits and Prudential Indicators set out in the Councils' Treasury Policy Statement and annual Treasury Strategy Statement (see section 8).

5. Investment Strategy for 2013/14

The Council had regard to the DCLG Guidance on Local Government Investments ("the Guidance") issued in March 2004 (revised in 2010) and the revised CIPFA Treasury Management Code and the revised Prudential Code ("the CIPFA TM Code").

Investment instruments identified for use in the financial year are set through the Councils' Treasury Management Strategy Statement and Investment Strategy. Different limits apply to counterparties based on a range of credit criteria which governs the maximum amount and the maximum maturity periods of any investments. This is kept under continual review with institutions added or removed from our list of counterparties during the year dependent on their qualification according to the credit criteria measures.

Investment Objectives

All investments were in sterling. The general policy objective of the Council was the prudent investment of its treasury balances. The Councils' investment priorities are the security of capital and liquidity of its investments.

The Council aimed to achieve the optimum return on its investments commensurate with the proper levels of security and liquidity. The DCLG maintains that the borrowing of monies purely to invest or on-lend and make a return is unlawful and this Council will not engage in such activity.

Credit Risk

Counterparty credit quality was assessed and monitored with reference to credit ratings; credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price. The minimum long-term counterparty credit rating determined for the 2013/14 treasury strategy was A-/A-/A3 across rating agencies Fitch, S&P and Moody's although unrated Building Societies are now included based on other credit criteria benchmarked to other rated organisations.

In July Moody's placed the A3 long-term ratings of Royal Bank of Scotland and NatWest Bank and the D+ standalone financial strength rating of RBS on review for downgrade amid concerns about the impact of any potential breakup of the bank on creditors. As a precautionary measure the Authority reduced its duration to overnight for new investments with the bank(s). In March Moody's downgraded the long-term ratings of both banks to Baa1. As this rating is below the Authority's minimum credit criterion of A-, the banks were withdrawn from the counterparty list for further investment.

During 2013/14 the Councils banking services were provided by Co-operative Bank. Due to their low credit worthiness and their on-going financial difficulties the Council carefully managed its individual account exposure and did not make any investments with Co-operative Bank. As from 1st April 2014 the Council has transferred its operational bank accounts to Barclays Bank and has subsequently closed all accounts at the Co-operative Bank.

The Financial Services (Banking Reform) Act 2013 gained Royal Assent in December, legislating for the separation of retail and investment banks and for the introduction of mandatory bail-in in the UK to wind up or restructure failing financial institutions. EU finance ministers agreed further steps towards

banking union, and the Single Resolution Mechanism (SRM) for resolving problems with troubled large banks which will shift the burden of future restructurings/rescues to the institution's shareholders, bondholders and unsecured investors. The impact of this on the Treasury Strategy was to reduce the maximum amounts that could be invested in any one counterparty and to diversify the types of investment which will impact on 2014/15 investment activity.

Liquidity

In keeping with the CLG's Guidance on Investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds / overnight deposits/ the use of call accounts.

Yield

The Council sought to optimise returns commensurate with its objectives of security and liquidity. The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at very low levels which continues to have an impact on investment income.

Use of External Fund Managers

In May 2011 the Council placed £20m with Investec in pooled funds, for which the aim is to generate higher returns in a low interest rate environment through investment in a diverse range of instruments. The return on these funds after fees in 2013/14 was 0.19% with an average rate of return since May 2011 of 0.51%.

Whilst volatility is expected, the performance of the fund since we joined is not as good as we originally hoped and has not provided the additional income originally anticipated, As a result, the Council is considering withdrawal of these funds and finding alternative types of investment.

6. Borrowing strategy

At the end of the year 2013/14 the Council had debt outstanding of £125.6m. Of this £17m represented loans raised from commercial banks whilst £108.6m represented loans from the PWLB.

The Council's capital financing requirement (CFR) currently exceeds the amounts actually borrowed with the shortfall being funded from cash balances.

In accordance with the Treasury Management Strategy the Council sought to finance its capital expenditure through the use of its own existing cash balances rather than through the raising of long term loans. The benefits of this are twofold; firstly by reducing the amount of cash balances held by the Council it reduces the credit risk and secondly, the interest foregone on the cash balances use to finance capital expenditure payments was less than the amount of interest payable on any new loans that would have been raised.

7. Economic events of 2013/14

At the beginning of the 2013-14 financial year markets were concerned about lacklustre growth in the Eurozone, the UK and Japan. Lack of growth in the UK economy, the threat of a 'triple-dip' alongside falling real wages (i.e. after inflation) and the paucity of business investment were a concern for the Bank of England's Monetary Policy Committee. Only two major economies – the US and Germany – had growth above pre financial crisis levels, albeit these were still below trend. The Eurozone had navigated through a turbulent period for its disparate sovereigns and the likelihood of a near-term disorderly collapse had significantly diminished. The US government had just managed to avoid the fiscal cliff and a technical default in early 2013, only for the problem to re-emerge later in the year.

The Bank of England unveiled forward guidance in August pledging to not consider raising interest rates until the ILO unemployment rate fell below the 7% threshold. In the Bank's initial forecast, this level was only expected to be reached in 2016. Although the Bank stressed that this level was a **threshold** for consideration of rate increase rather an automatic trigger, markets began pricing in a much earlier rise than was warranted and, as a result, gilt yields rose aggressively.

The recovery in the UK surprised with strong economic activity and growth. Q4 2014 GDP showed year-on-year growth of 2.7%. Much of the improvement was down to the dominant service sector, and an increase in household consumption buoyed by the pick-up in housing transactions which were driven by higher consumer confidence, greater availability of credit and strengthening house prices which were partly boosted by government initiatives such as Help-to-Buy. However, business investment had yet to recover convincingly and the recovery was not accompanied by meaningful productivity growth. Worries of a housing bubble were tempered by evidence that net mortgage lending was up by only around 1% annually.

CPI fell from 2.8% in March 2013 to 1.7% in February 2014, the lowest rate since October 2009, helped largely by the easing commodity prices and discounting by retailers, reducing the pressure on the Bank to raise rates. Although the fall in unemployment (down from 7.8% in March 2013 to 7.2% in January 2014) was faster than the Bank of England or indeed many analysts had forecast, it hid a stubbornly high level of underemployment. Importantly, average earnings growth remained muted and real wage growth (i.e. after inflation) was negative. In February the Bank stepped back from forward guidance relying on a single indicator – the unemployment rate – to more complex measures which included spare capacity within the economy. The Bank also implied that when official interest rates were raised, the increases would be gradual – this helped underpin the 'low for longer' interest rate outlook despite the momentum in the economy.

The Office of Budget Responsibility's 2.7% forecast for economic growth in 2014 forecast a quicker fall in public borrowing over the next few years.

However, the Chancellor resisted the temptation to spend some of the proceeds of higher economic growth. In his 2013 Autumn Statement and the 2014 Budget, apart from the rise in the personal tax allowance and pension changes, there were no significant giveaways and the coalition's austerity measures remained on track.

Gilt Yields and Money Market Rates: Gilt yields ended the year higher than the start in April. The peak in yields was during autumn 2013. The biggest increase was in 5-year gilt yields which increased by nearly 1.3% from 0.70% to 1.97%. 10-year gilt yields rose by nearly 1% ending the year at 2.73%. The increase was less pronounced for longer dated gilts; 20-year yields rose from 2.74% to 3.37% and 50-year yields rose from 3.23% to 3.44%. 3-month, 6-month and 12-month Libid rates remained at levels below 1% through the year.

8. Prudential Indicators 2013/14

The Council can confirm that it has complied with its Prudential Indicators for 2013/14, which were approved on 28th February 2013 as part of the Council's Treasury Management Strategy Statement. Details can be found in Annex 1.

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2013/14. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Annex 1**Prudential Indicators 2013/14 and revisions to 2014/15 – 2016/17****1. Background:**

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. Gross Debt and the Capital Financing Requirement:

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.

If in any of these years there is a reduction in the capital financing requirement, this reduction is ignored in estimating the cumulative increase in the capital financing requirement which is used for comparison with **gross** external debt.

The Chief Operating Officer reports that the Authority had no difficulty meeting this requirement in 2013/14, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. Capital Expenditure:

- 3.1 This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m

Total	65.6	147.8	102.6	77.7	120.9
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Source: Cheshire East Finance

3.2 Capital expenditure has been and will be financed or funded as follows:

Capital Financing	2013/2014	2014/2015	2015/2016	2016/2017	Future years
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	5.5	32.9	22.4	31.4	23.7
Government Grants	34.9	76.8	18.6	31.6	85.3
External Contributions	2.5	14.0	14.8	6.6	11.9
Revenue Contributions	0.9	4.2	1.2	0.2	0
Total Financing	43.8	127.9	57.0	69.8	120.9
Prudential Borrowing	21.8	19.9	45.6	7.9	0
Total Funding	21.8	19.9	45.6	7.9	0.0
Total Financing and Funding	65.6	147.8	102.6	77.7	120.9

Source: Cheshire East Finance

4. Ratio of Financing Costs to Net Revenue Stream:

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2013/2014	2014/2015	2015/2016	2016/2017
	Actual	Estimate	Estimate	Estimate
	%	%	%	%
Total	4.23	4.93	5.76	5.98

Source: Cheshire East Finance

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and financing.

Capital	2013/2014	2014/2015	2015/2016	2016/2017
Financing	Actual	Estimate	Estimate	Estimate
Requirement	£m	£m	£m	£m
Total	205	234	242	222

Source: Cheshire East Finance

6. Actual External Debt:

- 6.1 This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 31/03/2014	£m
Borrowing	126
Other Long-term Liabilities	39
Total	165

Source: Cheshire East Finance

7. Incremental Impact of Capital Investment Decisions:

- 7.1 This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved capital programme with an equivalent calculation of the revenue budget requirement arising from the proposed capital programme.

Incremental	2014/2015	2015/2016	2016/2017
Impact of	Estimate	Estimate	Estimate
Capital			
Investment			
Decisions	£	£	£
Band D			
Council Tax	4.38	10.94	0

Source: Cheshire East Finance

8. Authorised Limit and Operational Boundary for External Debt:

- 8.1 The Authority has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Authority and not just those arising from capital spending reflected in the CFR.
- 8.2 The **Authorised Limit** sets the maximum level of external debt on a gross basis (i.e. excluding investments) for the Authority. It is measured on a daily basis against all external debt items on the Balance Sheet (i.e. long and short term borrowing, overdrawn bank balances and long term liabilities). This Prudential Indicator separately identifies borrowing from other long term liabilities such as finance leases. It is consistent with the Authority's existing commitments, its

proposals for capital expenditure and financing and its approved treasury management policy statement and practices.

8.3 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

8.4 The Operational Boundary has been set on the estimate of the most likely, i.e. prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.5 The Operational Boundary links directly to the Authority's estimates of the CFR and estimates of other cashflow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

	2013/2014 Actual £m	2014/2015 Estimate £m	2015/2016 Estimate £m	2016/2017 Estimate £m
Authorised Limit for Borrowing	212	245	255	265
Authorised Limit for Other Long-Term Liabilities	26	24	23	22
Authorised Limit for External Debt	238	269	278	287
Operational Boundary for Borrowing	202	235	245	255
Operational Boundary for Other Long- Term Liabilities	26	24	23	22
Operational Boundary for External Debt	228	259	268	277

Source: Cheshire East Finance

9. Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Authority has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 23rd February 2012
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The Authority has incorporated the changes from the revised CIPFA Code of Practice into its treasury policies, procedures and practices.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

- 10.1 These indicators allow the Authority to manage the extent to which it is exposed to changes in interest rates. This Authority calculates these limits on net principal outstanding sums, (i.e. fixed rate debt net of fixed rate investments).
- 10.2 The upper limit for variable rate exposure has been set to ensure that the Authority is not exposed to interest rate rises which could adversely impact on the revenue budget. The limit allows for the use of variable rate debt to offset exposure to changes in short-term rates on investments

	(or Benchmark level) at 31/03/14 %	Estimate %	Estimate %	Estimate %
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	100%	100%	100%	100%

Source: Cheshire East Finance

- 10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Authority's treasury management strategy.

11. Maturity Structure of Fixed Rate borrowing:

- 11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.
- 11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.
- 11.3 LOBOs are classified as maturing on the next call date i.e. the earliest date that the lender can require repayment. As all LOBOs can be called within 12 months the upper limit for borrowing maturing within 12 months is relatively high to allow for the value of LOBOs and any potential short term borrowing that could be undertaken in 2014/15.

Maturity structure of fixed rate borrowing	Level as at 31 st March 2014 %	Lower Limit for 2014/2015 %	Upper Limit for 2014/2015 %
under 12 months	22%	0%	35%
12 months and within 24 months	7%	0%	25%
24 months and within 5 years	14%	0%	35%
5 years and within 10 years	9%	0%	50%
10 years and within 20 years	19%	0%	100%
20 years and within 30 years	8%	0%	100%
30 years and within 40 years	13%	0%	100%
40 years and within 50 years	8%	0%	100%
50 years and above	0%	0%	100%

12. Credit Risk:

- 12.1 The Authority considers security, liquidity and yield, in that order, when making investment decisions.
- 12.2 Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Authority's assessment of counterparty credit risk.
- 12.3 The Authority also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
 - Sovereign support mechanisms;
 - Credit default swaps (where quoted);
 - Share prices (where available);
 - Economic fundamentals, such as a country's net debt as a percentage of its GDP);
 - Corporate developments, news, articles, markets sentiment and momentum;
 - Subjective overlay.
- 12.4 The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 25 September 2014
Report of: Audit Manager
Title: Work Plan 2014/15
Portfolio Holder: Councillor Peter Raynes

1.0 Report Summary

1.0 To present an updated Work Plan to the Committee for consideration.

2.0 Recommendation

2.1 That the Committee:

- i) consider the Work Plan and determine any required amendments,
- ii) note the changes to the plan since it was last discussed in June 2014, and
- iii) note that the plan will be periodically brought back to the Committee for development and approval.

3.0 Reasons for Recommendations

3.1 The Audit and Governance Committee has a key role in overseeing and assessing the risk management, control and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to ensure that the Committee fulfils its responsibilities.

4.0 Wards Affected

4.1 All wards.

5.0 Local Ward Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications

- 7.1 When reviewing the Work Plan, Members will need to consider the resource implications of any reviews they wish to carry out both in terms of direct costs and in terms of the required officer support.

8.0 Legal Implications

- 8.1 The Work Plan must take account of the requirements of the Accounts and Audit Regulations 2011.

9.0 Risk Assessment

- 9.1 Effective internal control and the establishment of an audit committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, an effective audit committee can:

- § raise awareness of the need for robust risk management, control and corporate governance arrangements and the implementation of audit recommendations
- § increase public confidence in the objectivity and fairness of financial and other reporting
- § reinforce the importance and independence of internal and external audit and any other similar review process
- § provide additional assurance through a process of independent and objective review

- 9.2 A comprehensive Work Plan is necessary to ensure that the Committee fulfils its responsibilities.

10.0 Background and Options

- 10.1 A forward looking programme of meetings and agenda items to ensure comprehensive coverage of the Committee's responsibilities has been attached at Appendix A of this report. The Committee is asked to consider the contents of the Work Plan and establish any changes that will enable it to meet its responsibilities. In doing so it should be noted that the following changes have been made to the programme that was discussed in June 2014:

- A report on the Better Care Fund has been added to the November Agenda at the request of Members.
- The Internal Audit and Compliance with Contract Procedure Rules Reports have been deferred until November 2014 in order to balance the number of agenda items and the need to give the business of the September Committee sufficient focused attention.

- 10.2 In order to help with their deliberations regarding the Work Plan, Members are asked to consider whether:

- the inclusion of each item on its agenda results in added value
 - the assurance process has a cost to the organisation and it should therefore be proportional to the risk
 - care should be taken to avoid duplication and maintain the focus of an audit committee on its core functions as defined by its terms of reference rather than wider issues that are subject to the work of other committees or assurance functions
- there are any time consuming aspects of Committee business that could be more effectively addressed elsewhere
 - an audit committee should operate at a resolutely strategic level. Care should be taken to avoid straying into matters of operational detail that should be resolved by service managers
 - the number and frequency of reports should be proportional to the risk in order to give the core business of an audit committee sufficient focus and attention and to avoid lengthy and thus unproductive meetings

10.3 It should be noted that the Work Plan will be re-submitted to the Committee periodically for further development and approval.

11.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
25 Sept 2014			
External Audit – Audit Findings Report 13/14	Summary of findings from the 13/14 audit and key issues identified by External Audit in issuing their opinion on the Council’s financial statements and its arrangements for securing economy, efficiency & effectiveness in the use of resources.	37	To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.
		8	To consider the Council’s arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
2013/14 Audit Findings and Action Plan	This report sets out the management response to the 2013/14 Audit Findings Report presented by Grant Thornton to the Audit & Governance Committee.	37	To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts
Statement of Accounts 2013/14 Audited	Approval of the final 13/14 Financial Statements.	36	To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
AGS 13/14	AGS 13/14 for approval	6	To review the Council’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		7	To review and approve the Annual Governance Statement and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
		8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements
Annual Report 13/14.	Annual Report of the Chair of the Audit & Governance Committee to Council.	39	To report to full Council on a regular basis on the committee's performance in relation to the terms of reference
		38	<p>To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions</p> <p><i>For a local authority, CIPFA's judgement is that the audit committee should report directly to council, as the council itself most closely matches the body of 'those charged with governance'</i></p>
Report on Customer Feedback –	Summary of formal feedback received from customers during 2013/14 together with a summary of cases dealt with by the Local	41	To seek assurance that customer complaint arrangements are robust.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Complaints, Compliments and referrals to Local Government Ombudsman 2013-2014	Government Ombudsman (LGO) about Cheshire East Council for 13/14.		
Treasury Management Update Report	Update report on Treasury Management.	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Work Plan	Review of 2014/15 Work Plan to ensure comprehensive coverage of the Committee's responsibilities	All	
20 Nov 2014			
External Audit – Annual Audit Letter 13/14.	Summary of the External Audit findings from 13/14 audit. The letter will also confirm the level of audit fees.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors.	31	To consider the external auditor's annual report, relevant reports, and the report to those charged with governance.
Update on Governance Framework and Code of Corporate	Council's Governance Framework for discussion/agreement and approval of updates to Code of Corporate Governance. Progress to date on the 13/14 AGS Action	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Governance, 13/14 Action Plan & 14/15 Process	Plan and suggested approach for the 14/15 AGS for approval.	9	To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
Risk Management Update Report	Update report on Risk Management	10	To monitor the effective development and operation of risk management in the council
		11	To monitor progress in addressing risk related issues reported to the committee
Internal Audit Interim Report to include Internal Audit Charter Update	Progress report against the Internal Audit Plan 14/15. Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standard (PSIAS) 1000	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		21	To approve significant interim changes to the risk-based internal audit plan and resource requirements.
		23	To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include: a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
			<p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</p>
		25	To consider summaries of specific internal audit reports as requested.
		18	To approve the internal audit charter.
Annual Anti Fraud and Corruption Report	Annual review of Anti Fraud and Corruption Policy and arrangements against best practice.	13	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption
		15	To monitor the counter fraud strategy, actions and resources
		40	To approve and monitor Council policies relating to “whistleblowing” and anti- fraud and corruption
Compliance with Contract Procedure Rules	A report setting out the number of non-compliance instances in the previous period, broken down by Service, and a		In accordance with the Council’s Constitution, Contract Procedure Rule E11, the Committee reviews instances of non- compliance with CPRs at least half yearly.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
	description of exceptional instances		
Better Care Fund	An update on the Better Care Fund governance arrangements within Cheshire East Council, including the latest on the plan submission and the following areas: governance structure, accountability arrangements, roles and responsibilities, risk sharing arrangements, funding and delivery arrangements, and partnership working.	11	To monitor progress in addressing risk related issues reported to the committee
22 Jan 2015			
External Audit update report	To consider an update report from Grant Thornton in delivering their responsibilities as external auditors	31	To consider the external auditor's annual report, relevant reports, and the report to those charged with governance
External Audit – Certification of Claims & Returns	Annual report on the issues, amendments and qualifications arising from certification work of grant claims and returns.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Internal Audit Interim Report	Progress report against the Internal Audit Plan 14/15.	12	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress.
		21	To approve significant interim changes to the risk-based

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		23	<p>internal audit plan and resource requirements.</p> <p>To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:</p> <p>a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.</p> <p>b) Regular reports on the results of the Quality Assurance and Improvement Programme.</p> <p>c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.</p>
		25	To consider summaries of specific internal audit reports as requested.
Treasury Management Strategy and MRP	The CIPFA Code of Practice on Treasury Management requires all local authorities to agree a Treasury Management Strategy	17	To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.

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Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Statement 2015/16	Statement including an Investment Strategy annually in advance of the financial year. The strategy should incorporate the setting of the Council's prudential indicators for the three forthcoming financial years. The Treasury Management Strategy is also reported to Cabinet before being presented to Full Council for approval.		
Data Protection and Freedom of Information Update	Update on Data Protection and Freedom of Information issues including volumes of requests and trends.		
Compliance with Regulation of Investigatory Powers Act (RIPA)	A report on the Council's compliance with the Regulation of Investigatory Powers Act		
Work Plan	Review of 2014/15 Work Plan to ensure comprehensive coverage of the Committee's responsibilities	All	
19 March 2015			
Informing the Risk Assessment for Cheshire East Council	A report that facilitates compliance with International Standards on Auditing (UK and Ireland).	32	To consider specific reports as agreed with the external auditor.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
External Audit – Audit Plan 14/15	External Audit's planned work for the audit of financial statements and the value for money conclusion 14/15	33	To comment on the scope and depth of external audit work and to ensure it gives value for money.
Internal Audit Plan 15/16	Approval of risk based Internal Audit Plan for following year.	20	To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources
Risk Management Update Report	Update report on Risk Management and attendance by a Corporate Risk Owner to explain their mitigation	10	To monitor the effective development and operation of risk management in the council
		11	To monitor progress in addressing risk related issues reported to the committee
Contract Procedure Rules – Waivers	An update on non compliance with Contract Procedure Rules since September 2014		In accordance with the Council's Constitution, Contract Procedure Rule E11, the Committee reviews instances of non compliance with CPRs at least half yearly.
Members Code of Conduct Complaints Update	Update on the number and outcome of complaints	1	To promote high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity).
Audit Committee Self Assessment	Self assessment of the effectiveness of the Committee, which feeds into the AGS process	28	To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
Work Plan	Forward looking programme of meetings and agenda items 2015/16 to ensure comprehensive coverage of the Committee's responsibilities	All	
<i>It should be noted that the following item will be presented to the Committee but has not, as yet, been allocated to a specific agenda</i>			
Audit Committee Self Assessment - Update	A report giving an update on the progress of the actions arising from the 2013/14 self assessment.	28	To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations
Emerging Issues Briefing for Cheshire East Council	This paper provides the Audit and Governance Committee with a summary of emerging national issues that may be relevant to a unitary council and how such reports are dealt with by the Council.	32	To consider specific reports as agreed with the external auditor.
<i>The following Terms of Reference may require reports to the Committee in order for it to fulfil its duties.</i>			
		19	To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations
		22	To make appropriate enquiries of both management and the head of internal
		26	To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		27	To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years
		29	To support the development of effective communication with the head of internal audit
		34	To commission work from internal and external audit.
<i>The following Terms of Reference may require reports to Cabinet in order for the Committee to fulfil its duties</i>			
		14	To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.
		16	To advise the Executive on responses to audit management letters, reports and investigations and reviewing whether agreed external audit or inspection recommendations have been implemented as timetabled.
		30	To review and make recommendations to the Executive regarding the effectiveness of internal audit to include ensuring the internal audit function is adequately resourced, to review its strategy, receive, challenge and approve its annual plan and monitor its delivery and to review significant audit findings and monitor progress by managers in implementing agreed recommendations.
<i>The following Terms of Reference may require inclusion in the Annual Report or separate reports to Council in order for the Committee to fulfil its duties</i>			

Work Plan 2014/15

Agenda Item	Description	Terms of Reference May 2014	
		No	Detail
		35	To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
		38	To report to those charged with governance on the committee's findings conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions