

Audit and Governance Committee

Agenda

Date: Thursday, 29th September, 2016
Time: 2.00 pm
Venue: Committee Suite 1,2 & 3, Westfields, Middlewich Road,
Sandbach CW11 1HZ

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 body in question.

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

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4. **Minutes of Previous meeting** (Pages 1 - 8)

To approve the minutes of the meeting held on 30 June 2016 as a correct record.

5. **External Audit Findings Report 2015/16** (Pages 9 - 56)

To consider the report of Grant Thornton, the external auditors, on their findings from the 2015/16 audit.

6. **2015/16 Audit Findings and Action Plan** (Pages 57 - 62)

To consider the management responses and action plan for the 2015/16 audit findings.

7. **Audited Statement of Account 2015/16** (Pages 63 - 64)

To consider the report and note the changes to the draft accounts in accordance with the audit findings report.

8. **Annual Governance Statement 2015/16** (Pages 65 - 106)

To approve the Annual Governance Statement for 2015/16.

9. **Annual Report of the Audit and Governance Committee 2015/16** (Pages 107 - 126)

To consider the committee's draft annual report for 2015/16 prior to it being considered at the Council meeting on 20 October 2016.

10. **Report on Customer Feedback 2015/16** (Pages 127 - 142)

To consider a report on the complaints, compliments and referrals to the Local Government Ombudsman for 2015/16.

11. **Compliance with the Regulation of Investigatory Powers Act (2000)** (Pages 143 - 146)

To note the findings and recommendations of the Inspector following an inspection by the Office of Surveillance Commissioners in May 2016.

12. **Treasury Management Annual Report** (Pages 147 - 164)

To consider a report on the performance of the Council's treasury management operation for 2015/16.

13. **Members' Code of Conduct: Standards Report** (Pages 165 - 170)

To consider a report on the number of reports received under the code of conduct for Members which have been considered by the Director of Legal Services, in his capacity as Monitoring Officer, and the Independent Person for the period 1 March 2016 to 31 August 2016.

14. **Appointment of an Independent Member to the Audit and Governance Committee**

An oral update will be given on progress in the recruitment process for appointing an independent member to the Committee.

15. **Localism Act 2011 - General Dispensations** (Pages 171 - 174)

To approve a number of general dispensations for elected and co-opted members for a period of four years.

16. **Committee Work Plan 2016/17** (Pages 175 - 188)

To consider the Work Plan and any amendments to it.

17. **Waivers and Non Adherence Notifications** (Pages 189 - 196)

To receive an update on the quantity and reasons for the issue of WARNs approved between 1 June and 31 August 2016.

18. **Exclusion of the Press and Public**

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

19. **Waivers and Record of Non Adherence Notifications**

To note the approved WARNs issued between 1 June and 31 August 2016.

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CHESHIRE EAST COUNCIL

Minutes of a meeting of the **Audit and Governance Committee**
held on Thursday, 30th June, 2016 in Committee Suite 1,2 & 3, Westfields,
Middlewich Road, Sandbach CW11 1HZ

PRESENT

Councillor L Smetham (Chairman)
Councillor D Marren (Vice-Chairman)

Councillors G Baxendale, S Corcoran, R Fletcher, L Gilbert, A Kolker, M Simon and A Stott.

Councillors in attendance:

Councillors C Andrew, P Findlow, P Groves and G Wait.

Officers in attendance:

Peter Bates – Chief Operating Officer
Frank Collins - Marketing, Partnerships and Finance Officer
Josie Griffiths – Principal Auditor Shared Services and Partnerships
Bill Norman - Director of Legal Services and Monitoring Officer
Dominic Oakshott –Manager Professional and Commercial Services
Alex Thompson – Manager Strategy and Reporting
Michael Todd – Principal Auditor Fraud
Jo Wilcox – Corporate finance Manager
Cherry Foreman – Democratic Services Officer

External Auditors (Grant Thornton)

Allison Rhodes and Jon Roberts

1 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Martin Hardy.

2 DECLARATIONS OF INTEREST

In respect of items on the agenda that involved discussion of the Council's ASDVs, Councillor David Marren declared a personal interest by virtue of being Chair of Orbitas Bereavement Services and Councillor Lesley Smetham by virtue of being a Director. Councillor Andrew Kolker declared a personal interest by virtue of being Chair of Everybody Sport and Recreation and Chair of Civicance.

3 PUBLIC SPEAKING TIME/OPEN SESSION

No members of the public were present.

4 MINUTES OF PREVIOUS MEETING**RESOLVED**

That the minutes of the meeting be approved subject to an amendment to minute 60 (Managing Complaints upheld by the Local Ombudsman) to add the following

sentence to the final paragraph of the preamble: *'It was noted that new procedures had been put in place so that where the Ombudsman submitted a draft report to the Council finding fault, a senior officer would review the Ombudsman report and any suggested council response.'*

5 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

The Council's Auditors, Grant Thornton, introduced this report on work to be carried out in their statutory audit of the Council's financial statements and arrangements for securing value for money for the year ended 31 March 2016. It was reported that an interim audit had been completed in March and work on the final accounts had commenced; progress to date on grant certification work and the value for money conclusion was also given and Members had the opportunity to ask questions.

Consideration was also given to the planned fee letter for 2016/17 and it was confirmed that work in respect of Highways was not included in that sum and had yet to be determined.

RESOLVED

That the update report and the planned fee letter be noted.

6 INTERNAL AUDIT ANNUAL REPORT 2015/16

Consideration was given to the Internal Audit opinion for 2015/16 on the overall adequacy and effectiveness of the Council's control environment i.e. governance, risk management and control. The report was timed to feed into and inform the Annual Governance Statement and detailed the work carried out against the actual plan to support the overall opinion and also to provide assurance.

In considering work undertaken it was reported that a significant part of the resource had been taken up by the review of procurement and WARN forms, work on which remained incomplete due to an ongoing police investigation. The tragic loss of the Audit Manager, Jon Robinson, and the absence of the Corporate Manager Governance and Audit, meant consideration would also need to be given to how the team could be supported to enable the continued provision of an effective, efficient and economic audit function, and to the completion of the procurement review in due course. The Audit Team was congratulated on their work and professionalism throughout this difficult time.

The report included the implementation rate of agreed audit recommendations and in response to a request from Members it was agreed that, where this did not happen within the agreed deadline, then the appropriate Manager be invited to the Committee to discuss the position further.

RESOLVED

1. That the Audit Annual Report 2015/16 and the opinion on the Council's framework of risk management, control, and governance, be noted.
2. That where agreed audit recommendations had not been implemented within the agreed deadline the appropriate Manager be invited to a

meeting of the Audit and Governance Committee to discuss the position further.

7 DRAFT ANNUAL GOVERNANCE STATEMENT 2015/16

The Committee considered the draft Annual Governance Statement (AGS) 2015/16 explaining how the Council made its decisions, managed its resources and promoted values and high standards of conduct and behaviour. The aim of the AGS was to provide assurance on the effectiveness of the Council's processes, identify weaknesses and support the continuous improvement of the Authority.

Through the reviews carried out to produce the AGS it had been demonstrated that work within the Council was generally carried out to the high standards expected and needed by its residents. The Chief Operating Officer, as the Council's Section 151 Officer, had endorsed the Internal Audit opinion that the Council's framework of risk management, control and governance was adequate for 2015/16.

Amendments to the draft AGS were agreed as follows:

- para 2.6 to the tense relating to increases in local taxes
- para 2.8 to clarify the amount of spending per head of population
- para 3.11 to amend the name of the Environment Scrutiny Committee
- para 4.8 to add that in the event of fault being found by the Ombudsman a senior officer was to review their draft report and the Council's response

In discussing the culture of the organisation the Committee welcomed the inclusion of contract waivers and non adherences (WARNs) as a regular agenda item. It was expected that responses to the current staff survey would provide important feedback on this aspect and it was agreed they form the basis of a report to a future meeting of the Committee. The importance placed on the work of Internal Audit and the willingness of managers to be challenged, the planned introduction of recording meetings, changes brought about by the Transparency Agenda and the move to being 'open by default' were all welcomed as improvements.

RESOLVED

1. That the draft Annual Governance Statement 2015/16 be noted, the amendments detailed above included, and that the final statement considered by the Committee at its meeting in September.
2. That responses to the staff survey be reported to a future meeting of the Committee.

8 DRAFT PRE-AUDIT STATEMENT OF ACCOUNTS 2015/16

The draft Pre Audit Statement of Accounts for the period ending 31 March 2015 were reported. This was the second year that Group financial statements had been prepared presenting a mixture of wholly and jointly owned subsidiary private interests. A surplus of £0.5m (0.2%) against the approved revenue budget of £246.6m had been generated and it was the fourth consecutive year that a favourable outturn position had been reported.

A number of operational highlights relating to the Borough were reported and the Committee received a presentation on the Statement and summary of accounts in advance of their formal approval in September. In respect of the reporting of recycling rates it was agreed that a note be added into the accounts alongside the recycling rates detailing the actual tonnage that went to landfill.

It was reported that preparations were already underway for reporting the Statement of Accounts in 2017/18 when the deadline for producing the draft would be moving forward to 31 May 2017 and the final audited version to 31 July 2017.

RESOLVED

1. That the summarised position of the accounts for the year ended 31 March 2016 be noted, subject to the addition of landfill statistics to the figures on recycling.
2. That the publication of the draft Statement of Accounts and the Annual Governance Statement by 30 June 2016 be noted.

9 WHISTLEBLOWING ARRANGEMENTS UPDATE REPORT

The Committee was given an update on the effectiveness of the Council's Whistleblowing Policy for which it was responsible for overseeing the arrangements and reviewing its effectiveness.

The report included a breakdown of the 16 reports received during 2015/16. Two did not fall under the scope of the Policy, three were unsubstantiated following investigation, and 11 had been included within an ongoing audit. Overall, this represented a 129% increase in the total since 2015. However, many of the referrals related to an ongoing high profile procurement issue. If these were excluded then the number was consistent with the figures for the two previous years. The role played by anonymous referrals was also discussed and it was recognised that these could be very difficult to investigate.

In response to a suggestion that a useful addition to the Policy would be to enable referrals to be made directly to Members of the Committee the Director of Legal Services advised that guidance would need to be put in place to support Members who were approached under the Policy. In addition the matter would need to be referred to the Constitution Committee for consideration.

RESOLVED

1. That the report be noted and the ongoing review of the Council's whistleblowing arrangements be endorsed.
2. That it be recommended to the Constitution Committee that:
 - a. the list contained in the Whistleblowing Policy of those people to whom a referral can be made be amended to include Members of the Audit and Governance Committee; and
 - b. the Constitution be amended accordingly.

10 RISK MANAGEMENT UPDATE REPORT

Consideration was given to this report on the progress of risk management work undertaken against the agreed actions within the strategy. The key strategy priorities were listed along with a summary of progress to date for each.

The importance of Business Continuity Plans was discussed, and of the need to be able to ensure the continuing work of the Council in the event of, for example, a pandemic. It was reported that the recently revised corporate structure would help to facilitate continuing service delivery under such circumstances and it was agreed that a progress report on this matter be considered at a future meeting of the Committee.

RESOLVED

That the report be noted and a report on Business Continuity Plans be considered at a future meeting of the Committee.

11 CHESHIRE EAST LIFELONG LEARNING SUB-CONTRACTING

All principal local authorities in receipt of finance from the Skills Funding Agency (SFA), and responsible for delivery of service by way of sub-contracting, have to make provision for there to be an audit of process in accordance with proper practices.

Beever and Struthers had been appointed to carry out the audit and to compile a report on the effectiveness of the Cheshire East Lifelong Learning systems, and the controls in operation in relation to subcontractors, for the commissioning year 2015/16. It was reported that seven sections had been reviewed, four of which had been rated as good and three as needing improvement; these were detailed in the report with an action plan for management responses and timescales for implementation.

RESOLVED

1. That the External Auditor's report for the commissioning year 2015/16 be received.
2. That the External Auditor's opinion for 2015/16, together with the recommendations for 2016/17 and beyond, be noted.

12 AUDIT AND GOVERNANCE COMMITTEE SELF ASSESSMENT

The Committee was asked to consider the results of a self assessment of its effectiveness carried out by the Chairman and Vice Chairman using the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities and Police (2013 Edition)'. Tables attached to the report summarised the outcome of the 2015/16 draft self assessment, with the details available in a further appendix.

The self assessment formed part of the review of the systems of internal control and supported the production of the Annual Governance Statement. In considering the overall control environment positive improvements to the culture of the organisation were noted, such as the addition of the introduction of WARNs as a regular item on the Committee's agenda, and of Cardiff checks carried out

as part of the Counter Fraud Member/Officer Group work programme. In addition feedback from Member/Officer Work Groups was to be included on future agendas.

RESOLVED

1. That the Audit and Governance Committee Self Assessment be received and the actions arising be endorsed.
2. That a progress report on the actions arising be considered at a future meeting of the Committee.

13 AUDIT AND GOVERNANCE COMMITTEE TERMS OF REFERENCE

Consideration was given to the current Terms of Reference for the Audit and Governance Committee and to whether any changes needed to be made. An informal training session for Members had been held prior to the meeting at which the Terms of Reference had been discussed and compared with best practice and those of neighbouring authorities.

Following discussion it was agreed that the following amendments be made to the Terms of Reference for the Committee to include the establishing of Working Groups, and to amend the wording of point 22 (Internal Audit), currently incomplete, as follows:

- *The Committee may establish standing and time-bound Working Groups (which may but need not be politically balanced) to consider any matters within the Terms of Reference of the Committee.*
- *To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.*

RESOLVED

That the above amendments be made to the Terms of Reference for the Audit and Governance Committee and that they be referred to the Constitution Committee.

14 APPOINTMENT OF AN INDEPENDENT MEMBER TO THE AUDIT AND GOVERNANCE COMMITTEE

The Committee was asked to consider arrangements for appointing an independent person following an amendment to the Committee's Terms of Reference to appoint an independent person who was not an elected Councillor.

The report detailed the recruitment process, drawn up in line with CIPFA guidance. The Committee would be asked to approve the co-option of the independent person at its next meeting. Consideration was also given to the make-up of the appointment panel and it was agreed that it comprise the Chairman, the Vice-Chairman and Councillor A Stott.

RESOLVED

1. That the Director of Legal Services in consultation with the Chairman and Vice-Chairman be authorised to undertake a recruitment process for the appointment of an independent person to sit on the Audit and Governance Committee, the process to be in accordance with the CIPFA best practice guidance set out in this report, including the preparation of a job description and person specification.
2. The outcome of the recruitment process be reported to the Committee's next meeting with a view to an individual being co-opted to the Committee.
3. That the appointment panel comprise the chairman, the Vice-Chairman and Councillor A Stott.

15 COMMITTEE WORK PLAN 2016/17

Consideration was given to the Committee's Work Plan and it was agreed that the following items be added:

- Whistleblowing framework and guidance for members of the Committee on receiving referrals
- Staff Survey responses

RESOLVED

That subject to the above additions the Committee Work Plan be approved.

16 ITEM SUBMITTED BY MEMBER

In accordance with Procedure Rule 34 (agenda items submitted by Members) Councillor Sam Corcoran asked that the following item be included on the agenda:

"This Committee is aware of serious but anonymous allegations. Good governance requires that decisions are based on evidence not unsubstantiated allegations. If any person has any evidence of wrongdoing the Committee urges them to bring that evidence to the attention of the relevant authorities, including the Chairman and Members of the Audit and Governance Committee."

At the meeting Councillor Corcoran read out a statement to the effect that if any member of staff or the public had concerns about aspects of the Council's work and preferred not to contact the officers named in the Whistleblowing Policy then they could, in confidence, contact the Chairman, the Vice-Chairman or any member of the Audit and Governance Committee, the unions, the police or the charity set up for just such cases - Public Concern at Work (tel: 0207 4046609).

RESOLVED

That the statement be noted, and approval be given to the inclusion of the Chairman, the Vice-Chairman and Members of the Audit and Governance

Committee on the list in the Whistleblowing Policy of those to whom concerns can be reported.

17 WAIVERS AND NON ADHERENCES

The Committee considered a report updating them on the quantity and reasons for Waiver and non Adherences (WARNs) approved between 1 February and 31 May 2016. The report also compared the figures with those for the two previous years and it was noted that the number for the period April 2015 to March 2016 had reduced by 20.5% on the same period the previous year, due to forward planning using the contracts register to drive procurement activity. The number issued per service was also given.

In response to requests arising during discussion, and in order to continue to improve the reporting process, it was agreed that the sequential numbering of the WARNs issued be provided to help identify the frequency of the notices issued, and also that reasons for non Adherence be given in the same way as they were for the WARNs.

RESOLVED

That the report be noted and that the above additions to the reporting process be implemented.

18 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

19 WAIVERS AND RECORD OF NON ADHERENCE NOTIFICATIONS

RESOLVED

That the approved WARNs be noted.

The meeting commenced at 2.00 pm and concluded at 4.45 pm

Councillor L Smetham (Chairman)

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 29th September 2016
Report of: Chief Operating Officer
Subject/Title: Grant Thornton – Audit Findings Report 2015/16
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

- 1.1 The Audit Findings Report will be presented to the Committee by Grant Thornton, the Council's external auditors. The report, appended to this paper summarises the findings from the 2015/16 Audit. It identifies the key issues that have been considered by Grant Thornton before issuing their opinion on the Council's financial statements and its arrangements for securing economy, efficiency and effectiveness in the use of resources.

2.0 Recommendation

- 2.1 That members receive and comment on the Audit Findings Report for 2015/16.
- 2.2 That members approve the letter of representation to be signed by the Chief Operating Officer.

3.0 Reasons for Recommendations

- 3.1 The appointed auditors are required to report to those charged with governance. The Audit Findings Report presents the findings, conclusions and recommendations from audit work undertaken relating to the financial year 2015/16.

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

8.1 As covered in the report.

9.0 Legal Implications

9.1 There are no specific legal implications with regard to this report.

10.0 Risk Management

10.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

11.0 Background and Options

11.1 The auditors are responsible for giving an opinion on:

- whether the accounts present a true and fair view of the financial position of the authority and its expenditure and income for the year in question;
- whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards;
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

11.2 The findings in relation to these areas are set out in the Audit Findings Report attached as Appendix A.

11.3 As the Council's appointed auditors, representatives of Grant Thornton will attend the Committee to report their findings directly to Members.

12.0 Access to Information

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

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The Audit Findings for Cheshire East Council

Year ended 31 March 2016

19 September 2016

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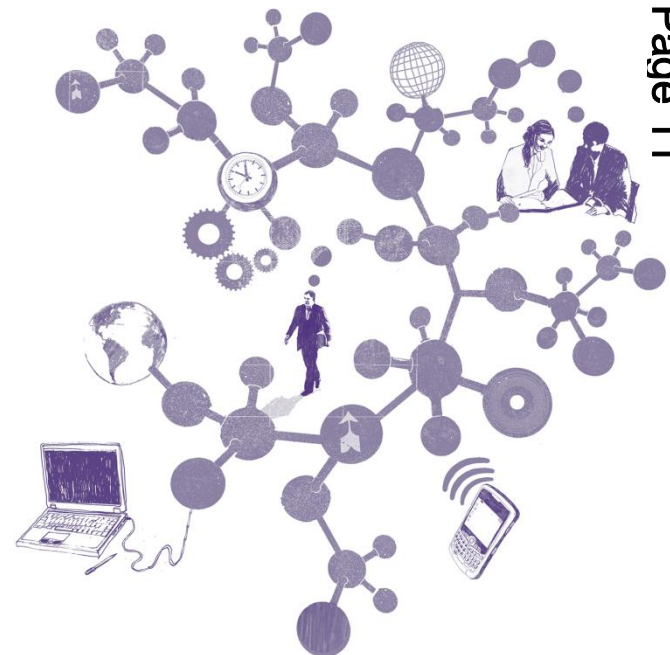
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20 September 2016

Audit Findings for Cheshire East Council for the year ending 31 March 2016

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Cheshire East Council, the Audit and Governance Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with the Head of Finance and Performance.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Jon Roberts

Chartered Accountants

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Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Purpose of this report

This report highlights the key issues affecting the results of Cheshire East Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 7 March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- obtaining and reviewing the management letter of representation
- review of revised version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts.

We received an initial draft of the financial statements and accompanying working papers at the commencement of our work, in June. At that stage, the draft accounts did not include the cash flow statement, the financial statements and supporting notes for the Group and the narrative report. The full financial statements were then provided as these were published for public inspection on 30 June. We had agreed to flex our programme of audit work to accommodate this.

Key audit and financial reporting issues

Financial statements opinion

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

We have identified one adjustment affecting the group and Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded total comprehensive income and expenditure for the group of £148,641k (net income position); the audited financial statements show net income of £147,249k.

This change is primarily driven by changes made to the NDR provision for appeals, where an error in the calculation caused the estimate for the collection fund as a whole to be understated by £3,613k . The impact of this is far reaching, throughout the collection fund, all the primary statements and several supporting notes. It also impacts upon the Council's debtor/creditor balances with counterparties. The impact on reserves affects the earmarked reserves only.

We have also recommended a number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

The Council has made progress in drawing forward its closedown timetable, in readiness for the earlier deadline that will apply for 2017/18. This reflects your continued efforts to improve your closedown arrangements and the quality of your working papers. We have worked with you throughout the year, to support you in these improvements. There is more to be done to ensure that a full set of draft statements can be prepared at this earlier stage.

The requirements for accounting for the Highways Network Asset will take effect in 2016/17 and will bring a new complexity to the preparation of the financial statements. We will continue to work with the Council to prepare for this.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- whether the Narrative Report meets the requirements of the CIPFA Code and is consistent with the audited financial statements or our knowledge of the Group and the Council
- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We raised no significant issues in performing our review in these areas.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

This includes our findings in relation to the Council's IT controls where we have identified a number of areas where these can be further strengthened. Further details are provided within section two of this report.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit and Governance Committee.

Delay in certification of completion of the audit

We have determined that we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until the Police investigation involving the Council reaches its conclusion.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Operating Officer and the finance team.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Chief Operating Officer, the Monitoring Officer and the finance team.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

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Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £12,132k (being 1.8% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have modified this to reflect the outcome of the draft financial statements, to £11,896k, (applying this same level to the Council and the group financial statements).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £595k. Our assessment of the value of clearly trivial matters has been adjusted to reflect our revised materiality calculation.

As we reported in our audit plan, we identified the following items where we are not setting a separate materiality threshold, but where we are undertaking more extensive testing to reflect the interest in these disclosures. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation
Cash	Although the balance of cash in hand and at the bank may be immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Public interest in these disclosures and the statutory requirement for them to be made, means that they are considered to be material by nature.
Disclosure of the external audit fee in the notes to the statements	

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Cheshire East Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none">• there is little incentive to manipulate revenue recognition• opportunities to manipulate revenue recognition are very limited; and• the culture and ethical frameworks of local authorities, including Cheshire East Council, mean that all forms of fraud are seen as unacceptable.	<p>Our audit work on tax revenues, grant income and other revenues has not identified any issues in respect of revenue recognition that would require us to reassess this rebuttal.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none">• Review of accounting estimates, judgments and decisions made by management• Testing of journal entries• Review of unusual and significant transactions	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment</p> <p>The Council re-values its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current/ fair value.</p> <p>This valuation represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none">• Review of management's processes and assumptions for the calculation of the estimate• Review of the competence, expertise and objectivity of any management experts used• Review of the instructions issued to valuation experts and the scope of their work• Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register and financial statements• Procedures to confirm the reasonableness of the proposed revaluations, including reference to national trends where appropriate• Evaluation of the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current/fair value. <p>We have also considered the changes brought about by the implementation of IFRS 13 for the 2015/16 financial statements which require the Council:</p> <ul style="list-style-type: none">• to include surplus assets within property, plant and equipment in the financial statements at fair value, as defined by IFRS13• to apply the basis on which fair value is defined for investment property, which is also different to that used in previous years• to meet the disclosure requirements required by IFRS 13.	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Our audit work has not identified any significant issues.</p>

Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
4.	<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability as reflected in its balance sheet, represent significant estimates in the financial statements.</p>	<p>We identified and assessed the controls put in place by management to ensure that the pension fund liability is not materially misstated. We also:</p> <ul style="list-style-type: none"> • reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation • gained an understanding of the basis on which the IAS 19 valuation was carried out • carried out procedures to confirm the reasonableness of the actuarial assumptions made • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>In addition we considered the specific changes that the Council has made to its pension arrangements relating to its wholly owned companies. During the year the Council has moved to a pass through agreement which is effective from 1 April 2015. This agreement replaces the previous arrangements whereby the companies had been allocated a share of the pension assets and liabilities. As a result of the new pass through agreement, the subsidiaries that had operated in the prior year (ANSA, Orbitas and TSS) transferred their pension assets and liabilities back to the Council as at 1 April 2015. The Council now specifies a fixed rate of employer contributions payable by the wholly owned companies (including those companies operational for the first time in 2015/16) to the Cheshire Pension Fund. This means that the companies account for these contributions as though they were as a defined contribution scheme ie an expense for the year and the Council accounts for the assets and liabilities related to the scheme.</p> <p>Although the financial impact upon the Council's accounts of the 'pass through' arrangement is not material to the Council, this is an important change that will continue to have an impact into the future and so required specific audit consideration. We therefore:</p> <ul style="list-style-type: none"> • reviewed supporting documentation to understand the nature of the agreement now put in place with the companies • reviewed the terms of the agreements to confirm that these meet the conditions that effectively transfer actuarial risk to the Council • reviewed the accounting entries as part of the overall checks to confirm the consistency of the pension fund asset and liability and disclosures, with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified in the audit plan.</p> <p>Our specific audit work on the pass through arrangement concluded that the deeds of variation meet the conditions for the scheme to be accounted for as a defined contribution scheme in the accounts of the companies with the Council accounting for the assets and liabilities relating to the scheme.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at Appendix A.

Other risks identified in our audit plan	Work completed	Assurance gained & issues arising
Employee remuneration Employee remuneration accruals understated (Remuneration expenses not correct)	We have completed the following work in relation to this risk: <ul style="list-style-type: none">documented and walked through the controls in place (to confirm our understanding) over payroll expenditureperformed trend analysis to identify any unusual variances in pay transactionsreviewed the year-end reconciliation of your payroll system to the general ledgertested a sample of employee remuneration payments in the year to ensure accurately accounted for and in the correct periodagreed the disclosure of senior officers remuneration to the information from the payroll system (in full rather than sample approach).	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses Creditors understated or not recorded in the correct period (Operating expenses understated)	We have completed the following work in relation to this risk: <ul style="list-style-type: none">documented and walked through your controls in place over operating expenditurereviewed the completeness and accuracy of the control account reconciliation between the purchase ledger and the general ledgerobtained an understanding of the accruals process and tested a sample of accruals (and other creditors balances)tested a sample of payments after the year end to confirm these were accounted for in the correct periodtested a sample of operating expense transactions in the year to ensure these are accurately accounted for and in the correct period.	Our audit work has not identified any significant issues in relation to the risk identified.

Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.


Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Ansa Environmental Services Ltd Orbitas Bereavement Services Ltd Transport Solutions Ltd Engine of the North Ltd Civicance Ltd	Not individually significant components	Analytical	No specific risks	We review the Council's consolidation of the financial results of the subsidiaries into the group accounts, including the adjustments to align accounting policies and remove the transactions between the companies and the Council. We have liaised with the auditors of the Council's companies (also Grant Thornton UK LLP but a separate team). We have set out the specific consideration of the pension pass through arrangement at page 12.	Our audit work has not identified any significant issues in relation to the risk identified.
CoSocius Ltd : 50% joint venture interest	Not significant component	Analytical	No specific risks	Analytical procedures at the group level - desktop review of the Council's consolidation of the financial results of the joint venture into the group accounts using the 'equity' method.	Our audit work has not identified any significant issues in relation to the risk identified.

Significant matters discussed with management



	Significant matter	Commentary
1.	Termination benefits	<p>As part of our audit work to review the disclosure of termination benefits reported at note 23 of the financial statements, we examined the record of decisions for those officers receiving a higher value payment.</p> <p>For the three cases examined we have confirmed that the approval requirements set out in the Council's constitution at the time of the decision, were met and documented and that the payments were appropriately justified.</p>
2	On-going police investigation	<p>In late December 2015, a police investigation regarding alleged misconduct in public office was launched. We have discussed the implications of the police investigation with management. We have also met with the Senior Investigating Officer in order to consider the impact of this upon our audit responsibilities.</p> <p>This was highlighted as a risk area affecting the VFM conclusion and we set out the details of this at page 33.</p> <p>Controls and governance in procurement are important elements of the Council's control environment and the Council needs to obtain assurance to identify any further improvements that need to be made in order that it can act upon these.</p> <p>All parties are in agreement that it is important that the internal audit work is completed. We consider that this should now be progressed as a matter of priority.</p> <p>As referred at page 34 we recommend that the Council must engage a suitably independent internal auditor to complete a rigorous and thorough review into the procurement matters.</p> <ul style="list-style-type: none"> • The review should be overseen, directed and reviewed by an auditor who is independent of the Council. • Given that this may ultimately inform the police investigation, the Monitoring Officer, with his line management responsibilities for internal audit, should identify an appropriate internal audit service from another authority who are able to provide the Council with this expertise. • The Monitoring Officer should discuss this with the Senior Investigating Officer and reach agreement with him over the suitability of this appointment, the specific scope of their work and the extent to which the Council's own internal audit team will be involved. • The Monitoring Officer should also discuss with the Senior Investigating Officer, the extent to which any internal audit findings arising from this work may be reported. <p>We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until the Police investigation reaches its conclusion.</p>

Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none">Government grants and contributions are recognised in the Comprehensive Income and Expenditure Account when there is reasonable assurance that the payment will be received and conditions will be satisfied.Revenue income is credited when it falls due (when the council provides the relevant goods or services).Interest due to or from third parties in relation to loans and investments, is accrued in full at the year end.The CIES includes the Council's share of the accrued income for council tax and non domestic rates.	<ul style="list-style-type: none">The Council's accounting policy for revenue recognition is appropriate under IAS 18 Revenue and CIPFA Local Government Code of Accounting Practice .We have undertaken substantive testing of tax income, grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policiesRevenue recognition policies are appropriately disclosed	<div> Green</div> <div>Accounting policy appropriate and disclosures sufficient</div>

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	<p>An authority is required to disclose, the judgements that management has made in the process of applying the authority's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.</p> <p>Critical judgments are set out at note 39 of the financial statements and include the Council's judgements over:</p> <ul style="list-style-type: none"> the assessment of the PFI scheme that determines that it falls within the scope of IFRIC 12 (ie assets and liabilities are recognised on the balance sheet). the consideration of control over maintained schools and the inclusion of their income, expenditure, assets, liabilities, reserves and cash flows in the Council's single entity accounts the treatment of non current assets for foundation and voluntary aided schools and for schools transferring to academy status the assessment of the Council's interests to identify those that fall within the group boundary. <p>Note 39 provides information about assumptions made about the future, and other major sources of estimation uncertainty. These include:</p> <ul style="list-style-type: none"> property valuation pension liability arrears and impairment of doubtful debts business rate appeals 	<p>Our findings from our review of judgements and estimates are:</p> <ul style="list-style-type: none"> We are satisfied that the judgements are appropriate and in accordance with the requirements of the CIPFA Code of Practice on Local Authority Accounting. The Council have addressed the improvements highlighted in our initial review. Pension liabilities - A firm of consulting actuaries (Hymans Robertson LLP) is engaged to provide the Council with expert advice about the assumptions to be applied when valuing pension liabilities. These assumptions cover areas such as mortality rates, inflation and future increases in salaries and pensions. We have reviewed the assumptions used by the actuary and are satisfied that they are reasonable and do not result in material misstatement of the pension liabilities. PFI – we have compared the Council's accounting entries with our own estimates and are satisfied that the Council's accounting estimates fall within our estimate range. Property valuation – we have considered the work of the Council's valuers to provide an estimate of the value of land and buildings and the associated asset lives (as summarised at page 12). <p>The methodology and associated accounting policy for the estimate of the provision for business rate appeals is appropriate. However we identified that the underlying calculation contained an error. As a result the estimate for the total provision, that is then shared between the Council, central government and Cheshire Fire Authority, is understated by £3,613k. Due to the complexity of the accounting entries, the impact of this error is seen across the financial statements. Management have agreed to correct this and this is reported as an adjusted misstatement at page 22.</p> <p>Following amendment we are satisfied that the closing balance is appropriately calculated and allocated to CEC. The disclosure at note 12 also sets out how much of the provision has been 'used' in the year and then how much is 'added'. These movements can not be produced by the business rates system, and instead reflects proxy amounts. We recommend the Council consider ways in which it can more accurately estimate the movement on the provision for disclosure purposes.</p>	<p> green</p> <p>Accounting policy appropriate and disclosures sufficient</p> <p> amber</p> <p>Accounting policy appropriate but error identified in calculation</p>

Assessment

 Accounting policy which is inappropriate

 Accounting policy appropriate but scope for improved application or disclosure

 Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Chief Operating Officer, as the Council's s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. The rationale for this was set out in the 'Informing the Risk Assessment' reported in March 2016. Members concur with this view. For this reason, the Council continues to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	<div><div></div><div>green</div></div>
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	The Council's accounting policies are appropriate and consistent with previous years. The Council have made a small number of amendments to enhance these disclosures.	<div><div></div><div>green</div></div>

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none">We have previously discussed the risk of fraud with the Audit and Governance Committee who confirmed there to be no material fraud. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to related parties	<ul style="list-style-type: none">From the work we carried out, we have not identified any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none">You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none">A standard letter of representation has been requested from the Council, including specific representations in respect of the Group.
5.	Confirmation requests from third parties	<ul style="list-style-type: none">We obtained positive direct confirmations from PWLB, and other banks for loans and investment balances.
6.	Disclosures	<ul style="list-style-type: none">Our review found no material omissions in the financial statements. We highlighted some improvements to disclosures in our review of the initial draft accounts and the Council addressed these in the financial statements that were then placed on deposit on 30 June 2016. These and other amendments identified from our audit work are set out at pages 24-25.

Other communication requirements continued

	Issue	Commentary
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception in the following areas:</p> <ul style="list-style-type: none">• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group and the Council acquired in the course of performing our audit, or otherwise misleading.
8.	Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>As the Council exceeds the specified group reporting threshold of £350 million we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements.</p> <p>That work will take place when the Council are able to provide the updated consolidation pack for examination (planned for week commencing 5 September). We will bring any matters arising from our review to the attention of the Audit and Governance Committee.</p>


Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 13. We also assessed the controls relating to housing benefits, before concluding that this area of expenditure did not represent a risk of material misstatement. Our work on property, plant and equipment and the pension liability, also considered the Council's processes and controls to obtain appropriate valuations.

As the Council uses Oracle which is an inherently complex financial system, our information systems specialists completed an annual review of the controls operating in the Council's Oracle based IT systems, liaising with the Council's service provider.

The matters that we identified during the course of our audit are set out in the table below. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.		<p>Our review of the IT control environment at the Council and the IT service provider, identified potential risks relating to:</p> <ul style="list-style-type: none">the segregation of user roles within the Oracle systemdefault passwords retained for some system administrator and roles and other high risk accountsaccess to business process controls, a known system flaw that can be used to extend the users accessusers with access to critical functions <p>These weaknesses can result in an increased risk that inappropriate postings can be made and may go undetected.</p> <p>The comprehensive review has also resulted in recommendations in areas including system administration and privileges, access rights, best use of security reports and password controls.</p>	<p>The Council should ensure the necessary improvements are made to strengthen controls in these areas.</p> <p>Our specialists have provided a detailed schedule of matters arising and recommendations to which management have provided a response.</p>

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £000
Error in the underlying calculation of the provision for business rate appeals led to the total provision being understated by £3,613k.			
This impacts upon the collection fund statement entry for ' provision for appeals' and so effects the business rate deficit for the year and the allocation of these elements of the collection fund between the Council, central government and the Cheshire Fire Authority. This amendment also affects the primary statements (both Council and group statements) and supporting notes:			
• Provisions and CIES (taxation and non specific grant income) for the impact on the Council's share of NDR income	1,771	(1,771)	
• Creditors and debtors – for the balances with the other parties		(1,843)	
		1,843	
• CIES (taxation and non specific grant income), creditors, earmarked reserves – for the impact upon the levy payable to the business rate pool	(379)	379	
The cash flow is also amended to reflect these movements in the other areas of the accounts.			
Overall impact	£1,392	£1,392	£1,392

Unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Reason for not adjusting
Provision The audit review of the items included as provisions indicates that several balances do not meet the requirements of IAS37 that there is a present obligation as result of past even, that payment is probable and that reasonable estimate can be made. In some cases, where the payment does not seem to be probable, and in others, where there was not a liability as a result of past event - but where the balance should instead be accounted for as a transfer to an earmarked reserve. On this basis we consider that provisions are overstated by £626k and that these balances should be held as reserves.	626	(626)	The Council will carry out a review of all provision balances to ensure that all those retained in future sufficiently meet the requirements of IAS 37. It is proposed that this review takes place in 2016/17. The balances referred here are considered to be immaterial to the overall position reported in 2015/16.
Overall impact	£626	(£626)	

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit and which were either addressed in the draft statements that were placed on deposit for public inspection on 30 June 2016 or have been reflected in the final set of financial statements. The Council has also made improvements to respond to other minor points.

	Account balance	Adjustment type	Value £'000	Impact on the financial statements
1	Cash flow statement	Disclosure and misclassification		The initial draft accounts presented for audit did not include a cash flow statement because the Council was liaising with CIPFA to address some difficulties with the tool used to produce this. The cash flow statement was then included in the financial statements published at the end of June. Audit work identified some further classification changes and adjustments within the underlying calculations that have now been corrected.
2	Notes to the group statement of accounts	Disclosure	various	Note 1 – Correction to prior year values Note 6 – correction to disclosure of external audit fees to include fees for CoSocius and the Council's fees, along with the wholly owned companies Note 8e – amendment to profits from wholly owned subsidiaries and losses of joint venture
3	Investment properties (originally at note 7)	Disclosure removed	6,119	Since the balance of investment properties is immaterial, the Council has removed the lengthy disclosure note to avoid cluttering the accounts with unnecessary detail.
4	Financial instruments (note 7)	Disclosure	various	The financial instrument disclosures were amended to: <ul style="list-style-type: none"> • correct the underlying error in the calculation of fair value of lease receivables • allocate the carrying value of lease receivables between current and long term balances • change the disclosure of the hierarchy levels reported for PFI and leases to 'level 2' on the basis that there are no unobservable inputs, within these calculations.
5	Debtors (note 9) Creditors (note 11)	Misclassification	3,600	The Council has identified a misclassification of £3.6m for sums due to the Department for Work and Pensions (being the net position for housing benefit and discretionary housing payments) that had been accounted for as a negative debtor rather than as a creditor

Misclassifications and disclosure changes

Account balance		Adjustment type	Value £'000	Impact on the financial statements
6	Provisions (note 12)	Disclosure		Amendments to group some items together and reduce unnecessary detail.
7	Pooled budget (note 35)	Disclosure		Improvements to better meet the disclosure requirements of IFRS12: to explain the judgements over control of the funds and the Council's part in the BCF and to focus on material information by removing unnecessary detail.
8	Contingent liabilities (note 36)	Disclosure		Reassessed and removed information no longer considered relevant.
9	Critical Judgements (note 39)	Disclosure		<p>Revised to remove unnecessary background information and to focus on describing the Council's critical judgements in applying accounting policies relating to group consolidation, schools and the PFI scheme.</p> <p>Additional disclosure included here to meet the requirements of the Code to provide the numbers of schools in each category of maintained schools.</p>
10	Collection fund	Disclosure		<p>The collection fund disclosures were amended to:</p> <ul style="list-style-type: none">• include narrative to explain the purpose of the collection fund• explain the pooling arrangement with the Greater Manchester Authorities (note 4)• correct the allocation of the council tax surplus where disclosures in respect of police and fire were stated the wrong way round (collection fund revenue account)• correct the composition of the council tax between police and fire, where headings were the wrong way round (note 5)

Section 3: Value for Money

- 01. Executive summary
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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in February 2016 and identified the following significant risks, which we communicated to you in our Audit Plan dated 7 March 2016.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements which included:

- Council's progress in updating its medium term financial strategy, the outturn position for 15/16 and the budget plans for 16/17 and 17/18
- the arrangements for health and social care integration
- the progress to reach an agreement on the Local Plan
- the Council's arrangements to monitor the performance and governance of these 'alternative service delivery vehicles
- how the Council is identifying and managing any risks or perceived weaknesses in its controls over procurement.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on pages 29 to 34.

Overall conclusion

Based on the work we performed to address the significant risks we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

In reaching our conclusion we have regard to the information available to us at this time. However there is a police investigation underway and for this reason we will not issue our certificate to bring the audit for 2015/16 to a formal close.

Recommendations

We discussed findings arising from our work with management and have agreed specification recommendations as follows.

As set out at page 15 we recommend that the Council must engage a suitably independent internal auditor to complete a rigorous and thorough review into the procurement matters, liaising appropriately with the Police Senior Investigating Officer on the scope and reporting implications.

Management's response to these can be found in the Action Plan at Appendix A.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment. We have identified no further risks through our ongoing review of documents and discussions with management.

Significant risk	Work to address	Findings and conclusions
<p>Planning finances</p> <p>The Council has historically managed its finances well and has consistently achieved savings targets. It is on course to achieve a balanced budget for 2015/16. However, following the most recent settlement and changes to the expectation of levels of government grant, the scale of efficiencies and savings required has changed. This is affected by:</p> <ul style="list-style-type: none"> • The removal of revenue support grant by 2019/20 but with less certainty about the funding that will arise from business rates retention or the impact of changes to New Homes Bonus • The impact of demand led services, such as the cost pressures experienced in Children and Families services and Adult Social Care. 	<p>We reviewed the Council's progress in updating its medium term financial strategy, the outturn position for 15/16 and the budget plans for 16/17 and 17/18. We reviewed reports to members and met with key officers to discuss key strategic challenges and the Council's proposed response.</p>	<p>The Council has a good track record of achieving its financial plans. In 2015/16 the Council reported a modest underspend of £0.5m against its net revenue budget of £246.6m.</p> <p>The Council continues to hold a general fund reserve of £13m, only slightly above the level planned in the 2015/18 reserves strategy. Earmarked reserves have increased by £4.8m, reflecting the use of the earmarked reserves to support service spending and new sums set aside. The overall increase is mainly attributed to the approval of allocations to earmarked reserves for 'Enabling Transformation', 'Financing' and 'Business Rates'.</p> <p>The Corporate Plan 2016-2020 sets out five clear residents based outcomes, underpinned by a sixth outcome based on a responsible and efficient way of working. The Corporate Plan has formed the basis for developing proposals within the Medium Term Financial Strategy (MTFS). The Council has an rolling business planning process and timetable for the update of the MTFS through key stages to set the parameters, prepare business cases and proposals and engage in early consultation. This leads through to the release of the pre budget report in October, providing members and other interested parties with a longer timescale to review and engage in the consultation, well before the budget and associated tax base needs to be approved in February of each year.</p> <p>In February 2015, the Council had identified that it needed to deliver recurrent savings of £13m for 2016/17 and then additional savings of £10.2m in 2017/18. The budget setting process for 2016/17 has moved the Council from this position to a balanced budget for the year. Measures included an increase in council tax of 3.75% (following on from a council tax freeze for five years), savings and efficiencies and a mix of specific policy proposals for each service. The Council also received temporary transitional grant support which it has earmarked to fund 'Invest to Save' schemes, initiative to redesign the way services are provided and reduce costs in the longer term.</p> <p>The Council continues to face deficits in its revenue budget for 2017/18 and 2018/19. As the Council progresses through its planning cycle it further refines the financial assumptions, flexibility in council tax and business rates, its reserves strategy and the options for service delivery. It is working toward preparing an efficiency plan to enable the authority to secure the 4-year fixed funding deal offered by Central Government.</p> <p>The Council has demonstrated a robust planning process, which together with the quality of reporting and scrutiny, means it is well prepared to tackle the financial risks that face it in the medium term.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

Significant risk	Work to address	Findings and conclusions
<p>Health and social care integration</p> <p>Whilst the Council's financial commitment to the Better Care Fund is not in itself financially significant, the Council's work with its partners towards the sustainability of adult health and social care services is an important step. Working with partners from different organisations and service areas with potentially conflicting priorities, and particular financial challenges means that projects are increasingly complex and high profile.</p>	<p>We reviewed the project management and risk assurance frameworks established by the Council in respect of the more significant projects, to establish how the Council was identifying, managing and monitoring these risks.</p>	<p>The Better Care Fund (BCF) partnership arrangement has been established through a formal Section 75 agreement between the Council and Eastern Cheshire Clinical Commissioning Group (CCG) and with South Cheshire Clinical Commissioning Group which provides a sound basis for partnership working and delivery of the £23.9 million BCF for 2015/16.</p> <p>The partnership has established a governance framework that includes a Joint Commissioning Leadership Team and its sub group - Better Care Fund Governance Group. Cheshire East Health and Wellbeing Board is responsible for the ongoing oversight of the delivery of the Better Care Fund plan and whilst not a signatory of the s75 partnership agreement, it has a role in gaining assurance that partners are collectively working together to deliver the plan, implement the national conditions and improve the associated performance measurements.</p> <p>Implementing the BCF in Cheshire East is a further step in bringing health and social care closer together but this needing to work with the wider Caring Together and Connecting Care pioneer programmes which began in 2014. A key achievement in 2015/16 of the pioneer programmes was the work to deliver an integrated digital care record which went live in April 2016. Other BCF schemes have been more challenging, for example the 'integrated community teams' was not implemented on time. The year end report notes that the BCF has forced some difficult issues to be discussed and addressed but that this improved working between health and social care is at a individual level rather than as a whole system wide approach.</p> <p>These arrangements provide a platform for the progress required to be made as part of the Cheshire and Merseyside footprint for the 'Sustainability and Transformation Plan'(STP), through which partners must describe how fully integrated health and social care systems will be achieved by 2020.</p> <p>The Cheshire health economy as a whole continues to face significant financial challenges and there is more to do to deliver sustainable services across health, wellbeing and social care for Cheshire. The year end BCF submission of the Health and Wellbeing Board notes that as resources become more scarce, the willingness of partners to share risks has diminished. The STP requirements and the financial and operational pressures mean that partners need to revisit plans and aspirations and ensure that their arrangements are robust if they are to deliver the required transformation and meet performance and efficiency targets.</p> <p>Overall we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for working effectively with its partners as part of the steps towards the sustainability of adult health and social care services</p>

Significant risk	Work to address	Findings and conclusions
<p>Local plan</p> <p>The Local Plan sets planning policies and allocates sites for development. It is the Statutory Development Plan for Cheshire East and is the basis for deciding planning applications. The original plan to guide development up to 2030 was submitted to the Secretary of State for Communities and Local Government in 2014, but required amendment and the Council was going through this process of independent examination. Without this formal planning framework, the Council is more vulnerable to unplanned development, budget pressures, and this poses a risk to its plans for development sites in the right places and stimulate growth in the local economy.</p>	<p>We reviewed the Council's progress to get the Local Plan in place and how the Council is addressing the risks and challenges associated with the delay.</p>	<p>The Local Plan is the Statutory Development Plan for Cheshire East and is the basis for deciding planning applications.</p> <p>Following the suspension of the examination process in 2014, the Council carried out further work to address the issues in the Local Plan Strategy and in August 2015 the local plan Inspector agreed to lift the suspension. There followed a period of additional hearings and the agreement that the next step would be for the Council to prepare a consolidated document which incorporated all of the revisions suggested to date alongside new and amended strategic sites. This document would then be subject to full public consultation.</p> <p>In the meantime, the Inspector provided the Council with further interim views in December 2015. Along with its response the Council provided its timetable for the future progress of examination. Progress was made in line with this timetable and the Council published the proposed changes to the Local Plan Strategy, including changes to policies, supporting text and new and amended site allocations on 4 March 2016 for consultation.</p> <p>Throughout 2015/16 the Council worked to provide a comprehensive set of additional evidence to address the concerns raised by the Inspector in his interim views. Although this process is not yet complete, the subsequent events continue to be in line with the timetable reported to the Inspector.</p> <p>Following consultation in March and April 2016, the proposed changes have been amended accordingly and have now been submitted to the Inspector, along with all the consultation responses. The hearing sessions are due to begin in September 2016.</p> <p>Overall we have sufficient assurance that the Council has made the expected progress towards getting the Local Plan in place.</p> <p>On that basis we concluded that the risk was sufficiently mitigated and the Council has proper arrangements for sustainable resource deployment</p>

Significant risk	Work to address	Findings and conclusions
<p>Alternative delivery models The Council commissions services from a range of different delivery models, including companies, the leisure trust and a joint venture for support services that has now been brought to an end. The Council's arrangements to monitor the performance and governance of these 'alternative service delivery vehicles' is important to the effective delivery of its objectives.</p>	<p>We reviewed the project management and risk assurance frameworks to establish how the Council is assured that its objectives are being sufficiently met</p>	<p>The Council's arrangements for the management of performance, finance, programmes and contracts contribute to the upholding of key elements of governance arrangements within these providers.</p> <p>The Council's Commissioning Team are responsible for monitoring the revenue budget and overseeing and managing the contractual agreements and services commissioned to external companies set up by the Council.</p> <p>The wholly owned companies operate under the holding company of Cheshire East Residents First (CERF) Limited. The CERF Board met 4 times in 2015/16 and these meetings are attended by the Chairs and Directors of the CERF Board, along with Chairs and Directors of the subsidiary companies. The Board receives presentations on the financial and operational performance of each company and provides scrutiny and challenge.</p> <p>In the main, the reporting by the different companies is sufficiently detailed to trigger challenge and queries around both financial and qualitative performance. We note the further developments that are to take effect in 2016/17 particularly:</p> <ul style="list-style-type: none"> • Engine of the North – where performance information has been limited and past reporting has focussed on progress to secure capital receipts, however a suite of performance indicators are developed linked to the 2016/17 Business Plan and reflecting on the time, costs and value added by the company's activities. • TSSL – where some detailed reporting is undertaken but where we note there are new contract KPIs introduced to the monitoring framework. <p>Risks around the development of ASDVs and continuous updating of business plans are highlighted within the Council's strategic risk register and subject to continuous monitoring and action.</p> <p>One outcome of the performance monitoring and risk management framework is illustrated by CoSocius being brought to an end. In this case the Council reviewed the performance of the joint venture and assessed that its objectives were not being met and were unlikely to be met in the future without further release of equity. The Council have made the necessary assessment and reached the formal decision, in conjunction with its partner, to end the joint venture and bring the services back in house.</p> <p>This risk links to the Council's arrangements for working effectively with third parties to deliver strategic priorities, managing risks effectively and maintaining a sound system of internal control. We concluded that the risk was sufficiently mitigated and the Council has proper arrangements</p>

Significant risk	Work to address	Findings and conclusions
<p>Procurement arrangements</p> <p>The Council have faced some challenges over the robustness of its procurement arrangements and the CEO arranged for a review by Internal Audit. A police investigation into certain related matters is also currently underway.</p>	<p>We met with key officers and Internal Audit to review how the Council is identifying and managing any risks or perceived weaknesses in its controls over procurement.</p>	<p>In order to enhance procurement controls, the Council introduced additional controls for expenditure above £5k to include scrutiny by senior manager and also a programme of checks by IA to confirm that spending was accurate, appropriate, authorised, correctly coded. The testing of the transactions (covered October – December 2014) was published in September 2015, this reached a 'limited assurance' conclusion, and made recommendations to enhance the Council's controls and transparency.</p> <p>Internal Audit reported that a number of whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. In response, the scope of an internal audit of procurement arrangements was expanded to incorporate the testing of these concerns. This IA work, which included a review covering compliance with contract procedure rules and the use of WARNs (Waiver Approval Record of Non Adherences) was still taking place in late December 2015 when Cheshire Police launched an investigation regarding alleged misconduct in public office. The internal audit work was paused and remains on hold pending the outcome of the police investigations which are ongoing at this time.</p> <p>The Council has put in place improvements to procurement arrangements which include:</p> <ul style="list-style-type: none"> • improvements to the detail contained in the Corporate Contract Register and arrangements to allow an earlier assessment of those services/functions that need to be re-commissioned • consideration by service management teams to better plan ahead for contract renewals and procurement requirements • All WARN forms are reported to the Audit and Governance Committee for review and challenge • Improvements to the processes for the use of WARNs, to ensure that they include appropriate details and make a clear distinction between waivers and non adherence • introduced and strengthened the operation of the Procurement Board, with membership now including the Council's Portfolio Holder for Corporate Policy and Legal Services and involving business managers to encourage engagement and accountability at a lower level • signing up to a framework contract for the procurement of specialist professional services • reduced threshold of £5,000 for the approval of requisitions • Scrutiny of expenditure above £5,000 by Management Group Board. <p>As part of the Council's efforts to progress improvements to procurement processes, Internal Audit also carried out a review of the Council's contract management arrangements. The recommendations arising from this work cover areas such as contract management training and procedural guidance and actions have been agreed with management.</p>

Significant risk	Work to address	Findings and conclusions
Procurement arrangements (continued)		<p>We have met with the Police Senior Investigating Officer to determine the potential implications of their investigations on our external audit remit. We have concluded that it is appropriate for us to issue our VFM conclusion but we highlight that this is based on the information that is available to us at this time. We also make a specific recommendation.</p> <p>On that basis (and in the context of the guidance in AGN 03) we conclude that the Council has proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities.</p> <p>Recommendation</p> <p>In the previous audit we deferred the issue of the certificate until 21 October to enable Internal Audit to provide us with information about their findings. At that time we proposed that we would continue to keep a watching brief on the Council's response to these matters.</p> <p>As highlighted at page 15 (and repeated here for ease of reference), controls and governance in procurement are important elements of the Council's control environment and the Council needs to obtain assurance to identify any further improvements that need to be made in order that it can act upon these.</p> <p>All parties are in agreement that it is important that the Internal Audit work that was paused in December is completed. We consider that this should now be progressed as a high priority.</p> <p>We recommend that the Council must engage a suitably independent internal auditor to complete a rigorous and thorough review into the procurement matters.</p> <ul style="list-style-type: none"> • The review should be overseen, directed and reviewed by an auditor who is independent of the Council. • Given that this may ultimately inform the police investigation, the Monitoring Officer, with his line management responsibilities for Internal Audit, should identify an appropriate internal audit service from another authority who are able to provide the Council with this expertise. • The Monitoring Officer should discuss this with the Senior Investigating Officer and reach agreement over the suitability of this appointment, the specific scope of their work and the extent to which the Council's own Internal Audit team will be involved. • The Monitoring Officer should also discuss with the Senior Investigating Officer, the extent to which any Internal Audit findings arising from this work may be reported , in order to avoid compromising the wider investigation in any way <p>Managements response to the recommendation is set out in Appendix A.</p>

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We report below our fees charged for the audit and provision of non-audit services. Cheshire East Council has established a series of arms length companies to provide services. The Boards of each of these companies have appointed Grant Thornton UK LLP as their external auditors. The financial results of these affiliates are consolidated into the Council's group accounts in 2015/16. As we are responsible for reporting on the group accounts, it is appropriate to report the fees for audit and other services provided to the Companies, to the Council's Audit and Governance Committee.

External Audit Fees

	£
Council external audit	154,590
Grant Certification	16,608
Council audit fees (excluding VAT)	171,198
External audit fees for the wholly owned companies	
• Engine of the North Limited	6,400
• ANSA Environmental Services Limited	12,000
• Orbitas Bereavement Services Limited	6,400
• Transport Service Solutions Limited	10,250
• Civicance Limited	6,250
External audit of CoSocius Limited (Cheshire East Council has 50% share)	13,500
Total audit fees (excluding VAT)	225,998

At this stage there are no variations in fees from the proposed Council audit fee (per the audit plan) which is in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). However our work on Whole of Government Accounts and to certify the audit as closed is not complete.

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. The actual fee for grant certification is not yet finalised as this work is not complete.

Any proposed amendments will be discussed with the Chief Operating Officer and must also be approved by PSAA Ltd.

Fees for other services

Audit related services	£
Reasonable assurance report for teachers pension return (November 2015)	4,800
Reasonable assurance report for Local Authority Major Transport Scheme return 2014/15 submitted May 2016	5,000
Non audit related services	£
Employment taxes helpline service August 2015 – January 2016	1,250
Additional services provided to the Cheshire East Companies for 2015/16:	
• Tax compliance services for 5 wholly owned companies	7,500
• Tax compliance service for CoSocius	2,300
• VAT work for Orbitas	TBC

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 6: Communication of audit matters

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money
- 04. Other statutory powers and duties
- 05. Fees, non audit services and independence
- 06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Significant matters in relation to the Group audit (including scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud)	✓	✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Our review of the IT control environment at the Council and CoSocius (where appropriate), identified potential risks relating to:</p> <ul style="list-style-type: none">the segregation of user roles within the Oracle systeminappropriate access to business process controlsand in areas including system administration and privileges, access rights, best use of security reports and password controls. <p>The Council should ensure the necessary improvements are made to strengthen controls in these areas.</p>	Medium		
2	<p>We recommend the Council consider ways in which it can more accurately estimate the movement on the business rates appeals provision for disclosure purposes, between the amount charged to the provision for appeals subsequently settled and then the additional amount that brings the provision to the required balance for the year end.</p>	Low		

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	<p>All parties are in agreement that it is important that the Internal Audit work that was paused in December is completed. We consider that this should now be progressed as a high priority.</p> <p>We recommend that the Council must engage a suitably independent internal auditor to complete a rigorous and thorough review into the procurement matters.</p> <ul style="list-style-type: none">• The review should be overseen, directed and reviewed by an auditor who is independent of the Council.• Given that this may ultimately inform the police investigation, the Monitoring Officer, with his line management responsibilities for Internal Audit, should identify an appropriate internal audit service from another authority who are able to provide the Council with this expertise.• The Monitoring Officer should discuss this with the Senior Investigating Officer and reach agreement over the suitability of this appointment, the specific scope of their work and the extent to which the Council's own Internal Audit team will be involved.• The Monitoring Officer should also discuss with the Senior Investigating Officer, the extent to which any Internal Audit findings arising from this work may be reported, in order to avoid compromising the wider investigation in any way.	High		

Appendix B: Audit opinion

We anticipate we will provide the Group with an unqualified opinion and value for money conclusion but will not issue our certificate for completion

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHESHIRE EAST COUNCIL

We have audited the financial statements of Cheshire East Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Group and Cheshire East Council Movement in Reserves Statements, the Group and Cheshire East Council Comprehensive Income and Expenditure Statements, the Group and Cheshire East Council Balance Sheets, the Group and Cheshire East Council Cash Flow Statements, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Operating Officer (Section 151 Officer) and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Operating Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Operating Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Narrative Report and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- present a true and fair view of the financial position of the Authority and Group as at 31 March 2016 and of the Authority's and Group's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and the Annual Governance Statement is consistent with the Group audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively

Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2016 in accordance with the requirements of the Act and the Code until the Police investigation into conduct at Cheshire East Council reaches its conclusion.

Based on the information available to us at this time, we are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources..

[Signature]

Jon Roberts
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

The Colmore Building
20 Colmore Circus
BIRMINGHAM
B4 6AT

[Date]



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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 29th September 2016
Report of: Chief Operating Officer
Title: 2015/16 Audit Findings and Action Plan
Portfolio Holder: Councillors Peter Groves and Paul Findlow

1.0 Report Summary

- 1.1. Grant Thornton anticipate providing an unqualified opinion in respect of the financial statements and propose to give an unqualified Value for Money conclusion based on their review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
- 1.2. The audit findings report sets out a small number of recommendations in respect of the financial statements for the Council to take forward. These are set out in Appendix 1 to this report together with the Council's proposed actions to address the auditors' recommendation.

2.0 Recommendations

- 2.1. The Committee is asked to note and endorse the management responses and action plan set out in Appendix 1.

3.0 Reasons for Recommendations

- 3.1 The external auditors are required under the Audit Commission's Code of Practice to report whether, in their opinion, the Council's financial statements present a 'true and fair view' of the financial position for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They are also required to reach a conclusion on the whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).
- 3.2 In arriving at their opinion and conclusion for 2015/16, the auditors have made a small number of specific recommendations for improvement.

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

8.1. The Chief Operating Officer expects any cost implications arising from the recommendations in this report will be contained within existing budgets.

9.0 Legal Implications

9.1. There are no specific legal implications arising from the recommendations in this report.

10.0 Risk Assessment

10.1. Failure to satisfactorily address the audit findings and recommendations from 2015/16 may expose the Council to adverse comments from its auditors in the current and future financial years. This could also lead to reputational damage and the possibility of increased audit fees. The management responses in Appendix 1 are intended to avoid this outcome, improve overall financial stewardship and therefore mitigate this risk.

11.0 Background

11.1. The Council's auditors, Grant Thornton present their annual audit findings report to the Audit & Governance Committee on 29 September. These findings form the basis of their audit opinion on the financial statements, and value for money conclusion. Grant Thornton expect to provide an unqualified opinion on the accounts by the statutory deadline of 30 September.

11.2. Grant Thornton will also provide an unqualified conclusion on the Council's arrangements for securing value for money. The auditor's report concluded that the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

11.3 Grant Thornton has identified one adjustment that affect the Group and Council's reported financial position. This impacts upon the collection fund statement entry for 'provision for appeals' and effects the business rate deficit for the year and the allocation of these elements. This amendment also affects the primary statements and supporting notes.

- 11.4 Grant Thornton have recognised that the Council has made progress in drawing forward its closedown timetable, in readiness for the earlier deadline that will apply for 2017/18.
- 11.5 The management responses to the specific recommendations made by Grant Thornton are presented in Appendix 1.

12.0 Access to information

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

Name: Peter Bates

Designation: Chief Operating Officer

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Recommendation	Response
<p>Our review of the IT control environment at the Council and CoSocius (where appropriate), identified potential risks relating to:</p> <ul style="list-style-type: none"> • the segregation of user roles within the Oracle system • inappropriate access to business process controls • and in areas including system administration and privileges, access rights, best use of security reports and password controls. <p>The Council should ensure the necessary improvements are made to strengthen controls in these areas.</p>	<p>Agreed. The Council is working with its ICT service to review user access within Oracle and strengthen its arrangements. Improvements have been made during the year and remain on-going.</p> <p>The recommendations will also be considered as part of the control environment requirements for the ERP replacement programme.</p>
<p>We recommend the Council consider ways in which it can more accurately estimate the movement on the business rates appeals provision for disclosure purposes, between the amount charged to the provision for appeals subsequently settled and then the additional amount that brings the provision to the required balance for the year end.</p>	<p>Agreed. Preparation of the Collection Fund is a technical and mostly isolated task, and the Finance Team will look at ways to create more resilience in this area and include appropriate reviews of draft entries. Appropriate restructuring and reviews of individual activities is already underway.</p>
<p>We recommend that the Council must engage a suitably independent internal auditor to complete a rigorous and thorough review into the procurement matters.</p> <ul style="list-style-type: none"> •The review should be overseen, directed and reviewed by an auditor who is independent of the Council. •Given that this may ultimately inform the police investigation, the Monitoring Officer, with his line management responsibilities for Internal Audit, should identify an appropriate internal audit service from another authority who are able to provide the Council with this expertise. •The Monitoring Officer should discuss this with the Senior Investigating Officer and reach agreement over the suitability of this appointment, the specific 	<p>Agreed. This recommendation picks up on work arranged by the Internal Audit Team and Senior Cheshire East Council managers in December 2015. The involvement of independent audit was part of the original proposal and is therefore accepted as part of this recommendation.</p> <p>The Monitoring Officer will liaise with the Investigating Officer as appropriate.</p>

scope of their work and the extent to which the Council's own Internal Audit team will be involved.

- The Monitoring Officer should also discuss with the Senior Investigating Officer, the extent to which any Internal Audit findings arising from this work may be reported , in order to avoid compromising the wider investigation in any way

CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 29th September 2016
Report of: Chief Operating Officer
Subject/Title: 2015-16 Statement of Accounts
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

- 1.1 The 2015/16 Statement of Accounts provides information on the financial assets and transactions and of the Cheshire East Group for the period 1st April 2015 to 31st March 2016. The Group is a complex organisation that provides c.500 different services to over 370,000 residents, with an annual value of transactions in excess of £700m.
- 1.2 At the Audit & Governance Committee meeting of 30th June 2016 Members received a report setting out the key elements of the Council's pre-audit Statement of Accounts for 2015/16. The external audit of these Accounts is now complete and the external auditors, Grant Thornton anticipate providing an unqualified opinion.

2.0 Recommendation

- 2.1 That members receive the report and note the changes to the draft Accounts in accordance with the Audit Findings Report.
- 2.2 That the Chairman of Audit and Governance Committee be given delegated authority to sign off the final Accounts on behalf of the Committee.

3.0 Reasons for Recommendations

- 3.1 To ensure compliance with the Accounts and Audit Regulations 2011.

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

8.1 As covered in the report.

9.0 Legal Implications

9.1 There are no specific legal implications with regard to this report.

10.0 Risk Management

10.1 The Local Government Act 2003 and the Local Government and Housing Act 1989 require the Statement of Accounts to be produced in line with recommended accounting practices.

11.0 Background and Options

11.1 The following amendments have been agreed and reflected in the final Statement of Accounts.

- Changes to the NDR provision for appeals, where an error in calculation caused the estimate for the collection fund as a whole to be understated by £3.6m. This amendment affected the collection fund, all the primary statements and several supporting notes. Further details are provided in the Audit Finding report page 22.
- A number of adjustments were made to improve the presentation of the financial statements. Further details are provided in the Audit Finding report pages 24-25.

11.2 The amendments affect earmarked reserves only, there is no change to the general fund reserve of £13.0m reported in June.

12.0 Next Steps

12.1 The final version of the Statement of Accounts will be published on the Cheshire East website before the statutory deadline of 30th September following receipt of the necessary approvals.

13.0 Access to Information

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

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 29 September 2016
Report of: Corporate Assurance Group
Title: Annual Governance Statement (AGS) 2015-16
Portfolio Holder: Councillor Peter Groves

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to approve the Annual Governance Statement 2015/16 for signature by the Leader of the Council and the Chief Executive. Once approved, the AGS will accompany the Statement of Accounts and be published on the Council's website.
- 1.2 There is a strong correlation between effective governance and effective service delivery. The purpose of the AGS process is to provide a continuous review of the organisation's governance arrangements so as to give assurance on the effectiveness on the processes and/or to address identified weaknesses, supporting the continuous improvement of the Authority. This report and Appendix A are the results of that review.
- 1.3 The Council's assessment of its governance arrangements for 2015/16 has not identified any significant issues. (The CIPFA/SOLACE Good Governance Framework defines *significant issues* as those issues which may prevent the Council from achieving its vision.).
- 1.4 The AGS for 2015/16 summarises the Council's progress made in managing issues identified in previous Annual Governance Statements. This includes
 - issues identified in the 2013/14 AGS, including those which required further attention and monitoring to ensure that they did not become significant governance issues.
 - issues identified during 2014/15, which required further attention to ensure they do not become significant governance issues.

2.0 Recommendation

- 2.1 That the Committee approves the Annual Governance Statement 2015-16.

3.0 Reasons for Recommendation

- 3.1 In accordance with the Accounts and Audit Regulations (2015), the Annual Governance Statement should be approved by Members of the Council meeting as a whole, or by a Committee, at the same time as the Statement of Accounts is approved and no later than 30 September 2016. The Audit and Governance Committee has delegated authority to approve the Annual Governance Statement.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 None.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

- 7.1 There are no specific financial implications. The production of the AGS aligns with the production of the Annual Accounts and is published alongside the audited accounts (approved by the end of September 2016).

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

- 8.1 The Production of the Annual Governance Statement is required by Regulation 6(1) (b) of the Accounts and Audit (England) Regulations 2015.

9.0 Risk Assessment

- 9.1 The Authority is required to prepare and publish an Annual Governance Statement to meet the statutory requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015. Failure to do so could result in non-compliance with the requirements of the Regulations.

10.0 Background and Options

- 10.1 As previously reported to the Audit and Governance Committee, the Council is required to prepare and publish an Annual Governance Statement (AGS). This requirement was introduced by the revised CIPFA/SOLACE Good Governance Framework (Delivering Good Governance in Local Government) and is necessary to meet the statutory

requirement set out in Regulation 6 of the Accounts and Audit (England) Regulations 2015.

- 10.2 At the last meeting in June, the Committee considered the draft Annual Governance Statement. The AGS has been amended to take account of Members feedback from that meeting, and also any feedback received in the interim period from Members, Officers and the External Auditors. Updates have been provided in relation to being undertaken where possible. A summary of these changes is provided in Appendix B.
- 10.3 Once finalised, the AGS will be published on the Council's website, along with the Statement of Accounts, for members of the public, Members, Officers and other stakeholders to view.

11.0 Access to information

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

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Designation: Chief Operating Officer
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Annual Governance Statement

2015/16

1. Executive Summary and Approval

- 1.1. Each year the Council produces an Annual Governance Statement that explains how it manages its corporate governance arrangements, makes decisions, manages its resources and promotes values and high standards of conduct and behaviour.
- 1.2. The Annual Governance Statement reports on:
- how the Council complies with its own governance arrangements; (Section 1-3)
 - how the Council monitors the effectiveness of the governance arrangements; (Section 4)
 - what improvements or changes in governance arrangements are proposed during the forthcoming year. (Section 5)
- 1.3. The Chief Operating Officer, as the Council's Section 151 Officer, has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor's opinion on the Council's control environment:

The Council's framework of risk management, control and governance is assessed as adequate for 2015/16.

- 1.4. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.
- 1.5. Our assessment of the effectiveness of our governance arrangements for 2015/16 identified governance issues as outlined at the end of section 5. We propose over the coming year to take all appropriate action to address the matters outlined in this Statement and any other issues to further enhance our overall governance and stewardship arrangements. We are satisfied that our plans will address the improvement areas identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Cllr Rachel Bailey
Leader, Cheshire East Council

Mike Suarez
Chief Executive, Cheshire East Council

2. Introduction and Background

- 2.1. Corporate Governance generally refers to the processes by which organisations are directed, controlled, led and held to account. Cheshire East Council is committed to embedding and achieving a robust set of corporate governance arrangements. The Council is managed within arrangements set out in its Constitution. The Constitution outlines how the Council operates, how decisions are made and what procedures need to be followed to ensure it is efficient, transparent and accountable to its residents and stakeholders.
- 2.2. Like much of the public sector the Council continues to face on-going and unprecedented financial and service delivery challenges. Difficult choices have been, and will continue to be made to remodel and redesign services that meet the needs of the Cheshire East residents.
- 2.3. However, this process is not without risks to the Council and all changes will need to be managed in a structured and co-ordinated manner. Having a focus on governance issues, including processes for review and challenge within the Council will help it to manage risk and make better decisions.
- 2.4. The Council maintains its commitment to a strategic commissioning approach. An ambitious but measured approach has been taken to achieving the Council's aims whilst effectively dealing with the challenges of public sector budget reductions. At the Council meeting in February 2016, the new Leader launched a new Corporate Plan, 2016-20 which strengthened the desire to continue to Put Residents First
- 2.5. Against this background the Council has continued to improve its financial and operational performance for its residents and businesses during 2015/16. The resilience and financial health of the Council remains strong, notwithstanding the governance issues the Council recognises as arising in relation to CoSocius and the awarding of Contracts re CoreFit.
- 2.6. Like all local authorities, this Council continues to be affected by reductions in Central Government funding. Whilst the Council has discretion to increase local taxes, it has not done so now for five consecutive years as it strives to play a key part in public sector reform and developing the economy in Cheshire and the wider area with our partners.
- 2.7. Increased demand for services in key areas such as Adult Social Care, and more Children in Care, together with a change in government policy to reduce grant levels further than expected, with the assumption that Council Tax would increase to compensate, led to the Council agreeing to a 3.75% increase in Council Tax for 2016/17.
- 2.8. Compared to most other English councils, Cheshire East is less reliant on government revenue grant as local businesses and residents provide a higher proportion of the Council's overall funding. In this context it is important to note that total spending per head of population is below average compared to the nearest neighbours, whilst still delivering a range of high quality, resident focused services and progress on strategic priorities. This is an important indicator in demonstrating the effective targeted use of resources and value for money (VFM) provided by Cheshire East Council.
- 2.9. Through the reviews done to produce this Annual Governance Statement, we have again been able to demonstrate that work within the Council is generally carried out to the high standards local people expect and need, for the delivery of good quality and value for money services. While there may be isolated exceptions, we can be confident

that our culture, values, and ways of working will continue to reduce the opportunity for poor or inappropriate practice to occur, and increase the likelihood of detection and rectification if they do.

3. Governance Framework

Scope of Responsibility

- 3.1. The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Local Government Act 1999 also places a duty on all councils to secure continuous improvement and to demonstrate economy, efficiency and effectiveness.
- 3.2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arrangements for the management of risk.
- 3.3. The Council has approved and adopted a **Code of Corporate Governance** that is consistent with the six principles and requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework **Delivering Good Governance in Local Government** outlined below and summarised in Figure 1.
 1. *Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.*
 2. *Members and officers working together to achieve a common purpose with clearly defined functions and roles.*

3. *Promoting the values of the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.*
4. *Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.*
5. *Developing the capacity and capability of members and officers to be effective.*
6. *Engaging with local people and other stakeholders to ensure robust public accountability.*

- 3.4. This statement explains how the Council:
 - has complied with the Code; and
 - meets the requirements of regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.
- 3.5. The draft AGS was reported to the Council's Audit & Governance Committee on 30th June 2016. The draft has been updated, for example in response to suggestions from Members and the final document will be considered and approved by the Audit and Governance Committee on 29th September 2016, prior to being signed by the Leader and Chief Executive. It will then be published alongside the Statement of Accounts. It provides assurance that:
 - governance arrangements are adequate and operating effectively in practice; or
 - where reviews of the governance arrangements have revealed improvements required, action is planned to ensure effective governance in future.
- 3.6. In April 2016, CIPFA published a new Governance Framework for Local Government, defining the principles which should underpin the governance of local government organisations. Within 2016/17 it will be necessary for the Council to review its existing governance

arrangements, updating its local Code of Corporate Governance as necessary. The 2016/17 AGS will be prepared with regard to the updated Framework.

Figure 1: Summary of the CIPFA/SOLACE Framework Principles



The Purpose of the Governance Framework

- 3.7. The Governance Framework comprises the systems, processes, cultures and values by which the Council is directed and controlled. It also includes the activities through which it is accountable to, engages with and leads the community. The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

- 3.8. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an on-going process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- to evaluate the likelihood of those risks being realised and the impact should they be realised;
- and to manage them efficiently, effectively and economically.

The 2015/16 Governance Framework

- 3.9. The Governance Framework shown in **Appendix 1**, and described in this section has been in place for the year ended 31st March 2016 and to the date of the approval of the AGS and Statement of Accounts at Audit and Governance Committee on 29th September 2016.
- 3.10. Six Overview and Scrutiny Committees were introduced during the 2014/15 financial year. The Committees met in this format, aligned with strategic outcomes during 2015/16.
- 3.11. The statutory requirements for Scrutiny Committees were fulfilled as follows; the Communities Overview and Scrutiny Committee was designated for Community Safety. Health Scrutiny issues have been addressed through the Health and Adults Social Care Committee, and Flood Risk Management has been considered by the Environment Overview and Scrutiny Committee. Corporate Scrutiny has an additional role in co-ordinating the overarching scrutiny work programme.
- 3.12. Each overview and scrutiny committee may be invited to provide advice and recommendations on the development and updating of the policies of the Council, wholly owned companies (WOC's), alternative

service delivery vehicles (ASDV's) and other bodies. Some scrutiny committees have specific regard to delivery of other public service provision; i.e. the Health and Adult Social Care Scrutiny Committee.

- 3.13. An annual report on the overall Scrutiny and Overview Committee work programme 2015/16 was received by Council in July 2016. To ensure that scrutiny arrangements continue to be fit for purpose, a review has been proposed for 2016/17.
- 3.14. The Council has a number of wholly owned companies, which operate under the holding company of Cheshire East Residents First Limited (CERF Ltd) this came into being on 1 April 2015, following operation in shadow form during 2014/15. The following have been in operation during 2015/16;
 - Orbitas
 - Ansa
 - Transport Service Solutions Ltd.
 - Civicance
 - Engine of the North
 - Tatton Enterprises Limited
- 3.15. The Skills and Growth Company was launched as the most recent company on 1st April 2016.
- 3.16. The companies focus on putting the residents of Cheshire East first, in providing high quality "best fit" services, whilst moving towards a more commercially focused approach that maximises value for money.
- 3.17. The Council has continued to develop and embed structures, systems, processes and supporting arrangements to ensure that these key relationships are well governed.

- 3.18. The Council's formal arrangements for the management of performance, finance, programmes and contracts contribute to the upholding of key elements of governance arrangements within these providers. For example, the Council receives quarterly performance monitoring reports from its alternative service delivery vehicles (ASDVs), which are subject to the same scrutiny as in house services.
- 3.19. Relationships are supported by Client Managers and service specific support, such as Finance. Some support services are provided to the ASDVs by the Council at agreed rates; an arrangement which maintains financial robustness and meets statutory reporting requirements.
- 3.20. The CERF board met 4 times in 2015/16. Meetings are attended by the Chairs and Directors of the Board, along with Chairs and Directors of the subsidiary companies. Presentations on the financial and operational performance of each company are received. CERF Ltd also provides the opportunity for the consideration of mutual learning points, collaboration between companies, and the further development of CERF Ltd as "critical friend".
- 3.21. CERF Ltd has identified a vision to guide future developments; "To contribute to the Council's Residents First values through encouraging and supporting the ASDVs in maintaining, improving and growing their businesses in a sustainable manner, and to deliver robust and transparent governance to ensure accountability and compliance with the established governance framework."
- 3.22. From 1st May 2014 CoSocius Ltd delivered ICT and Transactional Services as a limited company jointly owned by Cheshire East Council and Cheshire West and Chester Council. In October 2015, the Shared Services Joint Committee made the recommendation to disaggregate the activities delivered by the company, a decision endorsed by the Executive arrangements of both Councils.

- 3.23. From 1st April 2016, the functions reverted to being delivered as in house Council Shared Services. Full business continuity was maintained during the period of transition, despite the challenging timescale.
- 3.24. Following the May 2015 elections, there was no overall change in the Administration of Cheshire East Council, and no changes to the Committee structure.
- 3.25. Following the resignation of Cllr Michael Jones Cllr Rachel Bailey was elected as Leader of the Council at the 25th February Council meeting.
- 3.26. Further examples of how the Council demonstrates each of the principles set out in the Council's Code of Corporate Governance is reported on in Appendix 2.

4. Review of Effectiveness

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

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

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

- 4.3. The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Management Group Board (MGB), receiving assurance reports and updates from across the Council. MGB is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups; the Corporate Assurance Group, Procurement Board, Executive Monitoring Board, Technical Enabler Group, Information Governance Group and Risk Management Sub Group. The reporting lines between these and relevant Committees are shown in the diagram in Appendix 1.
- 4.4. Service delivery priorities are monitored through a performance management framework, discussed on a monthly basis at Management Group Board and taken to Cabinet each quarter. The content of the reports demonstrates the Council's progress in achieving against each of the five outcomes from the Council's Three Year Plan and are used to highlight examples of excellence in service delivery, as well as monitoring areas requiring improvement.
- 4.5. Project activity is governed through the Executive Monitoring Board. The Council's Finance Procedure Rules will always apply should changes in spending requirements be identified.
- 4.6. During 2015/16 the Council's Transparency Project made significant progress in ensuring compliance with the Government's Transparency

Agenda. A cross-party Working Group on Transparency was established, which oversees the Council's efforts to be open, honest and accountable to residents.

The Council's framework of risk management, control and governance is assessed as adequate for 2015/16

- 4.7. The Transparency Agenda is a collection of initiatives from central government, the Information Commissioner and various other groups. It is based on the premise that good open data informs good decision making – saving money and effort, connecting with residents, improving services, policy and operations, enabling better cross-service collaboration, developing local businesses and driving economic growth. The Council aims to be 'open by default' and is an Open Data 'Champion'.
- 4.8. The Protection of Freedoms Act 2013 and the Information Commissioner's Publication Scheme require public authorities to publish certain datasets in certain formats. The Local Government Transparency Code 2015, issued by the Department for Communities and Local Government (DCLG), includes additional requirements for information to be published by Local Authorities.
- 4.9. The Council is already publishing over and above all mandatory requirements and has invested in a new data portal "Socrata" to facilitate the publication of information and ensure easy accessibility for the public. Further areas for publication are being sought, and a Freedom of Information (FoI) Disclosure Log will go live in September 2016, containing all FoI requests received and responses issued by the Council.
- 4.10. The Council's internal and external auditors are key sources of assurance. The Internal Audit opinion on the Council's control environment is set out in the Internal Audit Annual Report for 2015/16 and is as follows:

Internal Audit Opinion

- 4.11. The Internal Audit Annual Report for 2015/16 has been prepared by the Council's Principal Auditors. This is due to the absence of the Corporate Manager Governance and Audit who undertakes the role of the Head of Internal Audit, since early April 2016 and the death of the Audit Manager in January 2016. Final sign off for the report and the opinion has been provided by the Director of Legal Services who has line management responsibility for Internal Audit.
- 4.12. Advice and guidance on how to proceed in these unusual circumstances has been sought from the Council's independent External Auditors, and from CIPFA's Better Governance Forum advisor, who have supported this approach.
- 4.13. The Chief Operating Officer as the Council's Section 151 Officer is responsible for ensuring the Council has a sound system of internal control, and has reviewed this statement together with the more detailed assessments that support its conclusions. He endorses the Internal Auditor's annual opinion on the Council's control environment.
- 4.14. A review of the Council's risk management arrangements was undertaken in 2014-15. The outcome of the review, with improvement actions, was reported to the Audit and Governance Committee in January 2015. A new draft risk management policy and strategy were endorsed by the Audit and Governance Committee in December 2015, and then approved by Cabinet 9 February 2016.
- 4.15. A summary of the progress of the risk management work undertaken against actions agreed in the strategy is being reported to the Audit and Governance Committee in June 2016. Progress reported includes

- Creation and meeting of a risk sub group of the Corporate Assurance Group
- Sub group has begun to complete/review service risk registers, highlighting risks for inclusion on the corporate risk register
- Inclusion of risk as a standing item on the Directors challenge sessions, which now include finance, risk and performance
- Work has started on aligning corporate risks with corporate plan outcomes; an updated corporate risk register to be brought to September 2016 Audit and Governance Committee.
- Implementation of the new policy and strategy will continue into 2016/17.

4.16. Monitoring of the Annual Governance Statement is undertaken by the Corporate Assurance Group, with update reports being taken to the Management Group Board and the Audit and Governance Committee.

4.17. A review of the Council's Constitution has been undertaken by the Constitution Member Working Group. The Council's Constitution has been in place since the Council's inception in 2009, and the proposals of the working group were designed to improve the process of decision making across a number of areas. Their proposals and amendments were considered by the Constitution Committee on 15th September 2015, before being approved at Council on 22nd October 2015.

4.18. Recommendations were also proposed by the Constitution Member Working Group with regard to increasing the Council's efforts to being more open. These were received and approved at the Constitution Committee on 18th February 2016, with endorsement of the creation of job descriptions for Committee Chairs by Council on 26th February.

Other proposals, which will be implemented over the 2016/17 year include;

- Audio recording of Committee Meetings in order to assist with and improve the accuracy of minute taking.
- Retrospective review by the Audit and Governance Committee agenda of all notices of waiver from Contract Procedure Rules and notice of non-adherence from March 2016
- Reporting of all Local Government Ombudsman decisions to the Audit and Governance Committee, subject to the possible legislative requirements for some decisions to be considered at Cabinet or full Council, and with due regard to the LGO's protocols in the timing of decisions being published.
- In the event of fault being found by the Ombudsmen a senior officer will review the draft report and the Council's response.

4.19. Internal Audit's self-assessment against the Public Sector Internal Audit Standards (PSIAS) shows that although there areas for improvement, the service is being delivered to the required standard. Areas for further improvement are documented in an action plan, which will be shared with the Audit and Governance Committee in September 2016 as part of the review process for agreeing the Final AGS.

4.20. The External Audit Findings Report for 2014/15 was presented to the Audit and Governance Committee on 24th September 2015, reflecting the prepared accounts represented a true and fair view, that the accounts had been well prepared; no adjustments had impacted upon Council reserves, there were no unadjusted misstatements for Members to consider and an unqualified opinion was given in respect of both the statement of accounts and the value for money opinion.

- 4.21. The action plan set out two recommendations in respect of personal declaration forms and the on the IT control environment; this was an unprecedented low number of recommendations for the Council.
- 4.22. The Council is due to receive the opinion from its External Auditors on the Statement of Accounts and Value for Money for 2015/16, in September 2016.
- 4.23. In preparing the AGS we have examined reports, feedback and action plans from other agencies and inspectorates, which review the services provided by the Council.
- 4.24. In July 2015 Ofsted inspected Cheshire East Council in relation to the provision of services for children in need of help and protection, looked after children and care leavers in Cheshire East and the review of the effectiveness of the Local Safeguarding Children Board. The overall judgement from the inspection was that Cheshire East [required improvement](#) to ensure that it was providing good services in the areas in question. However, the significant improvements and progress made since the previous inspection, in April 2013, where arrangements had been judged as inadequate, had been recognised and noted by the inspectorate.
- 4.25. The scale of improvement is considerable, and it should be noted that Ofsted published a new single inspection framework between the two inspections, in September 2013, which was designed to “raise the bar”; with the former “good” outcome becoming the new expected standard. Former “adequate” ratings are now judged as “requires improvement”.
- 4.26. In March 2016, Ofsted inspected the Pupil Referral Unit which was rated as “Requires Improvement”. An action plan is in place to progress the actions identified in the report, and this is subject to monitoring by the Council and the School’s Governing Body. The Unit is in the process of transferring to an Academy.
- 4.27. During 2015/16 the Care Quality Commission reviewed services provided at a Supported Living Network, a Community Support Centre and Cheshire East Short Breaks provision, all of which received “Good” assessments.
- 4.28. Where customers are unhappy with the way in which the Council has handled their complaint, they can refer the issue to the Local Government Ombudsman (LGO). The Audit and Governance Committee received a report on 2014/15 activity and trends to their September 2015 meeting.
- 4.29. Decision notices published in 2015/16 have been reviewed as part of drawing together the Statement. In instances where the Council is found to be at fault, a plan of actions is agreed. Progress against the implementation is monitored internally by the Customer Relations Compliance Senior Officer, with issues being escalated to Senior Management and Management Group Board as necessary. The LGO will also follow up on implementation actions agreed.
- 4.30. The draft AGS reported to the June 16 Committee provided indicative figures based on internal records of LGO decision notices as the final figures had not yet been provided by the LGO. That information has now been received and a report on 2015/16 activity will be taken to the September 2016 committee.
- 4.31. The final figures demonstrate a reduction in the number of decision notices received from 90 in 2014/15 to 79 in 2015/16. There was a small reduction in the number upheld and fault found, 21 in 2014/15 and 20 in 2015/16.
- 4.32. Against the total number of complaints recorded by the Council in 2015/16 (1,565), this indicates about 5% of complaints received as

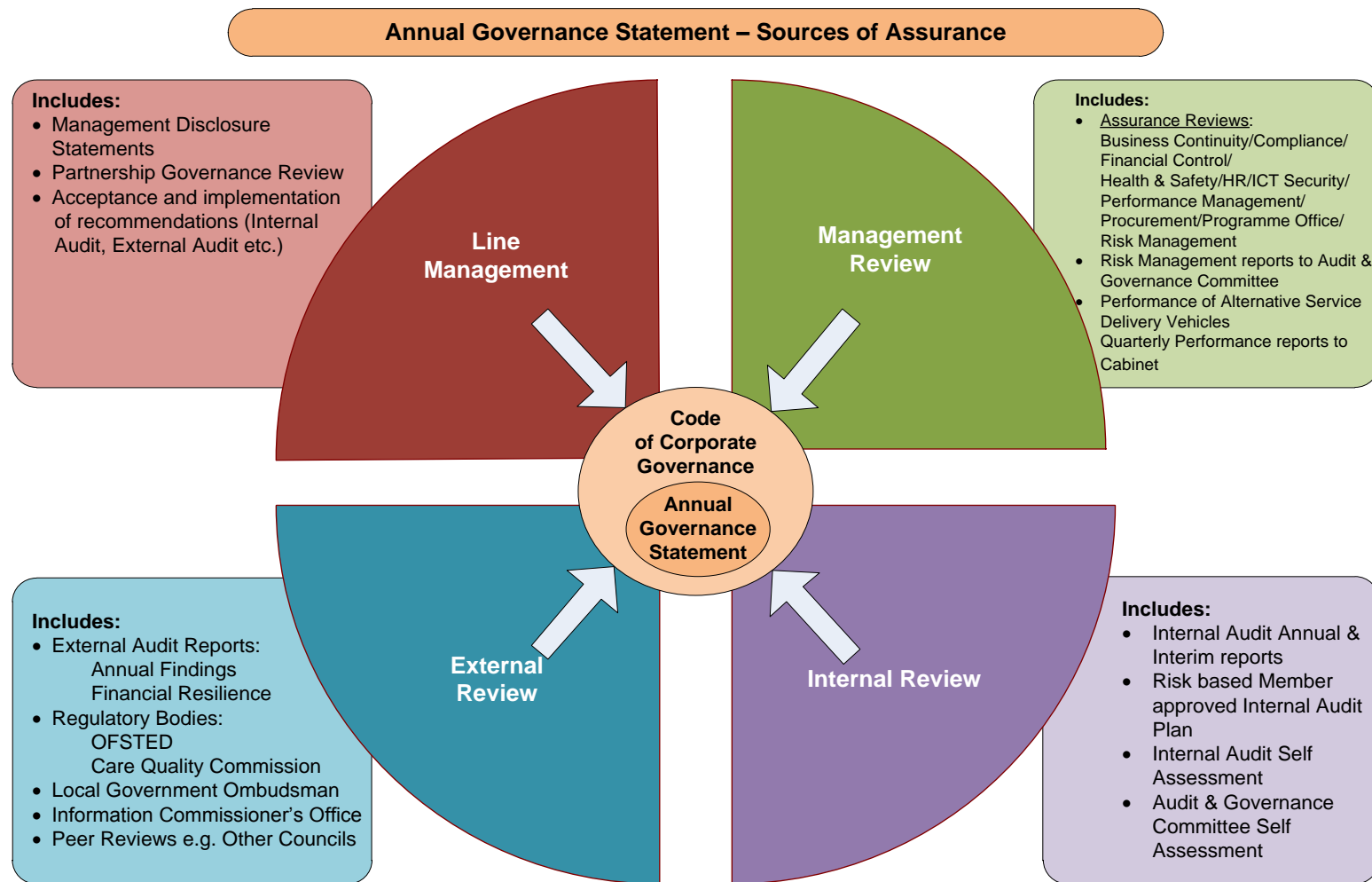
being progressed to the LGO, and a decision notice being issued, and 1.2% as being progressed to the LGO and fault being found.

- 4.33. There has been a significant increase in recorded compliments during 2015/16; 1,855 in comparison to 1,346 in 2014/15.
- 4.34. The Audit and Governance Committee plays a key role in the Council's review of the effectiveness of its governance framework. It seeks assurance on the adequacy of the Council's risk management, control and governance arrangements and it monitors the implementation of the AGS action plan.
- 4.35. The Committee met on five occasions during 2015/16, and received or approved a diverse range of reports and assurances, including;
 - approval of the Internal Audit Plan and subsequent progress reports,
 - the Committee's Annual report,
 - the External Audit Plan and progress reports,
 - updates on Risk Management, Treasury Management, Corporate Governance, Counter Fraud and Whistleblowing arrangements.
 - annual reports on Customer Feedback (Complaints, Compliments and the Local Government Ombudsmen),
 - a review of Standards arrangements for dealing with Code of Conduct Complaints and an annual update on complaints received under the Code.
- 4.36. A new Chair (Cllr Lesley Smetham) and Vice Chair (Cllr David Marren) were appointed following the May 2015 elections. The Audit & Governance Committee's draft self-assessment against the CIPFA guidance will be discussed and finalised at the June 2016 meeting.
- 4.37. In the 2015/16 draft self-assessment, the Committee has assessed itself as partially compliant against more areas than the previous

assessment. Actions required to ensure the Committee increases compliance have been identified. The Committee has assessed and evaluated itself as being more effective overall than in the previous assessment.

- 4.38. The 2014/15 Annual Governance Statement was approved at the September 2015 meeting of the Audit and Governance Committee, following independent assessment by the External Auditors. The Statement was signed by the Leader of the Council and the Chief Executive and published on the Council's website.
- 4.39. Monitoring of issues raised through the Annual Governance Statement is an ongoing process. Actions are updated on a regular basis, subject to discussion at Corporate Assurance Group meetings, and reported upon to the Audit and Governance Committee.
- 4.40. An update on progress made in managing issues raised in the 2014/15 Statement was taken to the Audit and Governance Committee meeting in December 2015. The Committee agreed that a number of the issues previously reported on in the Statement would be removed, and monitored through local management arrangements.
- 4.41. **Table 1** below sets out the progress made in managing issues raised as "requiring further attention" in previous Statements, that the Council has been proactively monitoring. **Tables 2** and **3** address issues arising in 2015/16 and issues which will continue to challenge the Council's governance arrangements.
- 4.42. A more detailed assessment against the individual principles set out in the Council's Code of Corporate Governance is reported on in Appendix 2.

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



4.43. The table below sets out the progress made against the issues identified previous Annual Governance Statements. This includes;

- Items included in the 2013/14 Annual Governance Statement, which were not identified as significant governance issues, but required further attention during 2014/15. (Shown with◆)
- Emerging issues identified in the 2013/14 Annual Governance Statement which required further attention and monitoring to ensure they did not become significant governance issues (Shown with□)
- Specific issues arising identified in the 2014/15 Annual Governance Statement as needing action and monitoring by the Council to ensure that they do not become significant governance issues (Shown with○)

4.44. Progress on managing and monitoring the discrete actions identified to manage and resolve these issues has previously been reported upon in updates to Audit and Governance Committee, most recently in December 2015 and are not repeated here. An update on progress since the December update is provided.

4.45. Although they have been identified in previous Statements, the issues of “Council Funding” and “Health and Social Care Integration” have been included as continuing areas of concern issues for 2015/16 in **Table 3**. This is to recognise the continuing and increasing significance of these two specific areas, at national and local levels.

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

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
◆	Business Continuity Planning <i>(Principle 1)</i> Current and tested business continuity plans are not consistently in place across all service areas.	Corporate Manager Governance and Audit	Develop Business Continuity Planning to ensure service delivery in the event of business disruption.	Heads of Service were asked to identify their business critical activities. The responses have been reviewed to ensure that there are no significant gaps. Due to continuing austerity as the Council services are reorganised over 2016, all services remain under review. Guidance documents have been developed and are being cross checked against national best practice prior to implementation across services.
◆	Local Economic Partnerships <i>(Principle 1)</i>	Director of Economic Growth	Governance arrangements need to be developed that are sufficiently “future	Accountable Body Operational Management: Council Officers from Economic Growth and Prosperity, Finance,

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	Governance arrangements outlining the relationship between the Council, as accountable body, and the Local Economic Partnership (LEP) are out of date.	and Prosperity in consultation with Chief Operating Officer	proofed” to accommodate further anticipated changes to the role of the LEP and its sub groups and the Council’s relationship with it.	<p>Legal and Audit have held several working group meetings to discuss the touch points with the LEP to manage the operational aspects of its Accountable Body Function, and working relationships amongst council functions. The relationship between the Council’s Accountable Body duties and the additional duties imposed on Council when the Council is in receipt of LEP funds, particularly finance, have also been considered.</p> <p>Further Actions :</p> <ul style="list-style-type: none"> • Internal working group meetings continue to be held on a regular basis to share knowledge and learning • The Council establishes regular service review meetings with the LEP team • Protocols are put in place to differentiate between the Council as Accountable Body and the Council as the recipient of LEP funds <p>Accountable Body Strategic Governance: The Council’s COO sits on the LEP’s Performance and Investment Committee where relevant matters associated with the Accountable Role are discussed.</p> <p>Further Actions :</p> <ul style="list-style-type: none"> • The COO continues to sit on the Performance and Investment committee offering critical challenge as the Accountable Body. • Relational governance is established the AC operational group and the COO <p>Other Governance Relationships: The Council sits on various boards and committees associated with the business and functional delivery of the</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
				<p>LEP. Typically, officers with the most relevant experience and knowledge sit on technical boards and there is further political representation on the LEP board by the Leader.</p> <p>Further Actions:</p> <ul style="list-style-type: none"> MGB receives an update paper communicating governance arrangements of the LEP, which the Council participates in.
<input type="checkbox"/>	<p>Project Management (Principle 4)</p> <p>The Council has a significant number of key projects currently in implementation and planned for the future. These include</p> <ul style="list-style-type: none"> ambitious economic regeneration plans; and ongoing commissioning reviews leading to new improved service delivery arrangements. <p>The Council is aware that if any of these are not delivered as planned it could result in aspects of service failure for residents, reputational issues or increased financial pressure.</p>	Chief Operating Officer	<p>The Council's revised project and programme management approach is now an established part of the governance framework. Through its member led Executive Monitoring Board (EMB), all major change programmes and projects are subject to scrutiny and challenge at both development and delivery stage. The Council's new scrutiny committees also have an overview and help to highlight any issues and mitigate this risk.</p>	<p>The Executive Monitoring Board (EMB) revised and updated its Terms of Reference and membership in January 2016, putting scrutiny and oversight of ongoing project progress at the very centre of its working programme.</p> <p>An improved monthly highlight reporting process for projects was implemented in February 2016. Co-produced with the Cheshire & Warrington Local Enterprise Partnership, this gives greater visibility and control on all projects from inception through to realisation of benefits.</p> <p>The Commissioning Timeline also enables these projects to be monitored alongside other related activities (e.g. contracts, consultations, budget changes etc.) and this has been approved in principle by the Chief Executive, Deputy Chief Executive and Chief Operating Officer. This is now a central part of the monthly EMB agenda, and to support this a new 'Project Health Check' process was introduced by EMB in May 2016.</p> <p>All lessons learnt from 21 previous project closure reports have been summarised and reported to Management Group Board and informal Cabinet and this report is published on the internal intranet.</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
□	<p>New Service Delivery Models (Principle 3)</p> <p>The Council launched four new service delivery vehicles in April and May 2014. Service areas transferred to these new companies were initially completed on a 'lift' and 'shift' basis to maintain existing arrangements. Further work is now being done to ensure that the Council maximises the benefit of these new arrangements.</p> <p>Two new vehicles were launched in early 2015: Transport Service Solutions Ltd (1st January 2015) and Civicance (1st April 2015)</p>	Chief Operating Officer	Senior Officers to continue to work with the directors of the new companies and the Leisure Trust to clarify roles and responsibilities and to ensure that the requirements of the new commissioning plans and new contracts – and the benefit to residents – are fully achieved.	<p>With the exception of CoSocius, all of the ASDV companies returned positive outturns in their pre-audited financial statements.</p> <p>All the individual companies have Management Boards meeting regularly to discuss objectives and the performance of the companies.</p> <p>The Chairs and Managing Directors of companies regularly attend the holding company, CERF Ltd, to discuss and challenge performance, share and resolve issues, and seek ways to maximise benefit for the residents of Cheshire East.</p>
○	<p>Information Governance (Principle 3)</p> <p>Effective information governance practices are critical in an organisation like the Council which deals with significant amounts of personal and sensitive information every day. They ensure that data is handled in accordance with the relevant legislation, as well as</p>	Chief Operating Officer	<p>Continue to raise awareness about good information management practices across Service Management Teams, and general awareness amongst all Council staff and Members. Staff Induction, team meetings and personal development reviews will also be used to promote awareness and engagement.</p> <p>The adoption and validation of the Council's Information Asset Register with individual services will improve understanding of data held, as well as clarifying ownership of data</p>	<p>The SEEDS training has been launched in Children's Services and will be rolled out across the organisation on a phased basis.</p> <p>Data Protection and Freedom of Information training has been added to the corporate training agenda for this year; Six half day sessions, 3 on Data Protection and 3 on Freedom of Information are being delivered by an external training provider to officers across the Council.</p> <p>The Information Asset Register will continue to be updated and has a direct connection to the Electronic Document</p>

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	<p>providing accurate and available information for decision making purposes.</p> <p>Within Cheshire East Council, the Chief Operating Officer is the Senior Information Risk Owner (SIRO), and the Corporate Manager ICT is the Deputy SIRO. The Deputy SIRO chairs the Information Governance group (formerly called the SIRO working group) which reports into the Corporate Assurance Group.</p> <p>The Information Governance Group has a programme of work which includes improving information management practices in the Council.</p> <p>Breaches of the Data Protection Act have been reported to the Information Commissioners Office (ICO) in year. The ICO findings have not resulted in fines; they have required additional actions to be undertaken, including training. These have been completed as required.</p> <p>The Council has formalised and</p>		<p>and associated roles and responsibilities.</p> <p>A training programme targeting information governance is in development and will be released across the Council in a phased manner during 2015. This aims to improve understanding of personal and corporate responsibilities in relation to data handling.</p>	<p>and Records Management System (EDRMS) project adopting SharePoint as the Council's corporate electronic document records management system.</p> <p>This includes scanning all archived Children's, Adults and Highways paper records, and meeting compliance standards by adopting records retention schedules and classification metadata.</p> <p>The Data Protection Act 1998 will be replaced by the EU General Data Protection Regulation in May 2018. Work is underway to identify the key changes in the legislation and to determine what needs to be done to ensure CEC compliance with the new regulation.</p> <p>The Information Governance Group met regularly throughout 2015/16, managing a programme of proactive improvement and responding to reported data related incidents, providing updates to the SIRO, Corporate Assurance Group, and Management Group Board.</p>

Cheshire East Council – Annual Governance Statement 2015/16

	Description of Issue	Responsibility	Proposed Action <i>This is the action initially proposed when the issue was first reported</i>	Progress update for Draft AGS 2015-16
	<p>communicated an incident breach reporting process, and recognises that there is a need to improve compliance with information governance best practices.</p> <p>There have been regular Council wide communications reminding staff of the importance of good information management practices, and these have been supported by improved internal guidance on the Council's intranet pages.</p>			

5. Governance Issues 2015/16

- 5.1. **Table 2** below sets out governance issues the Council recognises as arising during 2015/16. A description of the issue, along with details of the actions undertaken to date, and any further actions required to manage the issue is also given. These issues will need action and monitoring by the Council to ensure that actions are undertaken in line with this plan. Progress will be monitored by the Corporate Assurance Group during 2016/17, and reported on to Management Group Board and Audit and Governance Committee.
- 5.2. The Council is recognising these issues in the Statement for clarity and transparency. Whilst there has been considerable additional resource required to manage the resolution and management of both issues, neither has resulted in the Council diverting from, or failing in the delivery of its strategic priorities, which has been the benchmark used to determine whether an issue has been determined as “significant”.
- 5.3. **Table 3** recognises two issues which will continue to test the Council, reflecting the continued pace of change and significant fiscal challenge. This will challenge everyone in the way services are delivered across the whole Council and will demand innovative and increasingly agile responses with less and less money.

Table 2 - Governance Issues arising in 2015/16

Description	Actions	Responsibility
<p>Review of Contract Awards re Core Fit</p> <p>Following concerns raised about the awarding of contracts by the Council, the Council’s Internal Audit team were asked by the Chief Executive to consider the issues raised as part of an ongoing audit of the Council’s procurement arrangements. This work was underway in the third quarter of 2015/16. However, in late December 2015, following the launch of a police investigation by Cheshire Constabulary regarding alleged misconduct in public office, the internal audit work was suspended, pending the outcome of the police investigations which is ongoing at this time. The internal audit work will continue once the police investigation concludes.</p>	<p>A number of improvements increasing the transparency of the Council’s procurement arrangements have already been made. For example;</p> <ul style="list-style-type: none"> • Waivers and Records of Non Adherence (WARN) forms are reported individually and in full to the Audit and Governance Committee. • The Audit and Governance Committee receive reports on the quantity and reasons for Waiver’s and Non Adherences (WARNs) approved. • The Council has both introduced and strengthened the operation of the Procurement Board, with membership of the Council’s Portfolio Holder for Corporate Policy and Legal Services. • The Audit and Governance Committee Anti-fraud Member/Officer Sub Group carries out sample checking 	<p>Chief Operating Officer</p>

	<p>on procurement activity ahead of each meeting and reports back on any non-compliance issues; there have been none found to date.</p> <ul style="list-style-type: none"> • The Council has developed its Contracts Register to allow an earlier assessment of those services/functions that need to be re-commissioned. • The Procurement Team have reduced the threshold to £5,000 for requisitions that have to be approved, in order to prevent procurement activity being undertaken without appropriate approvals. • A £5,000 expenditure report is run monthly and sent to MGB members to scrutinise. From this a sample of transactions are selected and managers asked to provide details of budgetary controls applied. • National reporting requirements include £500 spend report which is completed monthly. Contracts awarded over £5,000 to be reported quarterly. Invitation to tenders and quotes above £5,000 to be reported quarterly. 	
<p>Closure of CoSocius Ltd and return to delivery via shared arrangements</p> <p>From 1st May 2014 to 1st April 2016, CoSocius Ltd delivered ICT and Transactional Services as a limited company jointly owned by Cheshire East Council and Cheshire West and Chester Council. During that period, the Councils took the decision to disaggregate the company and from 1st April 2016, the functions reverted to being delivered as in house Council Shared Services.</p> <p>At a meeting of the Shared Services Joint Committee, held 2nd October 2015, the current operating position of CoSocius and the future delivery model for the services it provided was discussed.</p> <p>The Committee concluded that the original objectives for creating CoSocius were no longer sufficiently relevant given the current financial and technical environments, with the added background of sustained pressure on local government finances. It would therefore be timely to reconsider the most appropriate way to continue with service deliver.</p> <p>The Shared Services Joint Committee approved a decision to begin a program of</p>	<p>At the October 2015 meeting, the Shared Service Joint Committee agreed to</p> <ul style="list-style-type: none"> • CoSocius operation as a standalone and commercially focused company ceasing on 1st April 2016, with the termination of each Council's operating agreement with CoSocius with effect from 31st March 2016. • ICT and Transactional Services (HR and Finance) reverting to in-house delivered shared services, with the transfer of staff and contracts effective 1 April 2016. • Transactional Services to be delivered in a shared service hosted by Cheshire West and Chester Council. This includes HR/Payroll, Income, Payments and Finance and Reporting. 	<p>Chief Operating Officer</p>

<p>work to be undertaken to establish an alternative delivery model for the services being provided by CoSocius. This resulted in the return of those services to in-house provision through shared service arrangements.</p> <p>An exercise was undertaken amongst stakeholders in the two Councils and the former company to identify the lessons learned from CoSocius. The key learning points as reported to Shared Services Joint Committee on 20th May 2016 are repeated below:</p> <p>In taking the decision to terminate CoSocius Members were keen to ensure that lessons from its creation, existence and demise were captured to enable both Councils to learn from this experience. Consequently research was undertaken with key stakeholders involved with predecessor ICT and Transactional shared services, CoSocius Limited and / or the new sharing arrangements to ascertain: what had worked well, what could have been improved and the skills and training needed to support any alternative service delivery models going forward.</p> <p>The findings are summarised below but it should be recognised that these relate to CoSocius alone and must not be considered in any way as a reflection of any other companies operated by either Council.</p> <p>Key Learning Points from CoSocius were:</p> <ul style="list-style-type: none"> • The business case for change to a commercial entity needs to be robust and demonstrate a fundamental understanding of the market place. It needs to be based on credible data and take full account of investment requirements to make the operation truly commercial • People developing and delivering a separate legal entity need to fully understand the workings of a commercial operation and design-in specific requirements tailored to the market (e.g. suitably qualified staff, resources training plan etc.) • The company needs to have the right people in the right roles to take it forward and make it a success – they need to balance core business with developing new business • Expectations need to be realistic – developing and embedding an appropriate 	<ul style="list-style-type: none"> • ICT Services to be delivered in a shared service hosted by Cheshire East Council. This includes Core ICT, Application Support and ICT Projects. <p>The Committee agreed an initial 6 month transition period, during which time both shared services will progress actions identified to address financial pressures and restructure in order to achieve the agreed Target Operating Models for service delivery.</p> <p>Agreement was also given to a subsequent period for the delivery model, of up to 18 months, during which time consideration needs to be given to agreeing the most appropriate arrangements for service delivery.</p> <p>The reversion of services from CoSocius back to the two Councils occurred on time and with no significant disruption to service delivery. Progress on the transfer and operation of services will be reported to the Joint Officers Board and the Shared Services Joint Committee during 2016-17.</p>	
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<p>culture is paramount to a successful commercial operation. This can take time to achieve (months not days) depending on the type of service.</p> <ul style="list-style-type: none"> • Company governance needs to be robust with clear lines on roles, responsibilities and independence • Client / Supplier relationships need to be truly commercial but not adversarial and not unduly influenced by previous working relationships - the focus should be on managing / meeting business needs and securing workable solutions • Contract performance issues need to be addressed but at an appropriate level to avoid undue negative impact on company employees • The company needs to ensure that its employees are adequately trained in the skills needed to operate in a commercial environment and should not be reliant on public sector experience alone. Training should focus on commercial awareness and skills development including customer care, business relationship and contract management, governance and influencing skills. 		
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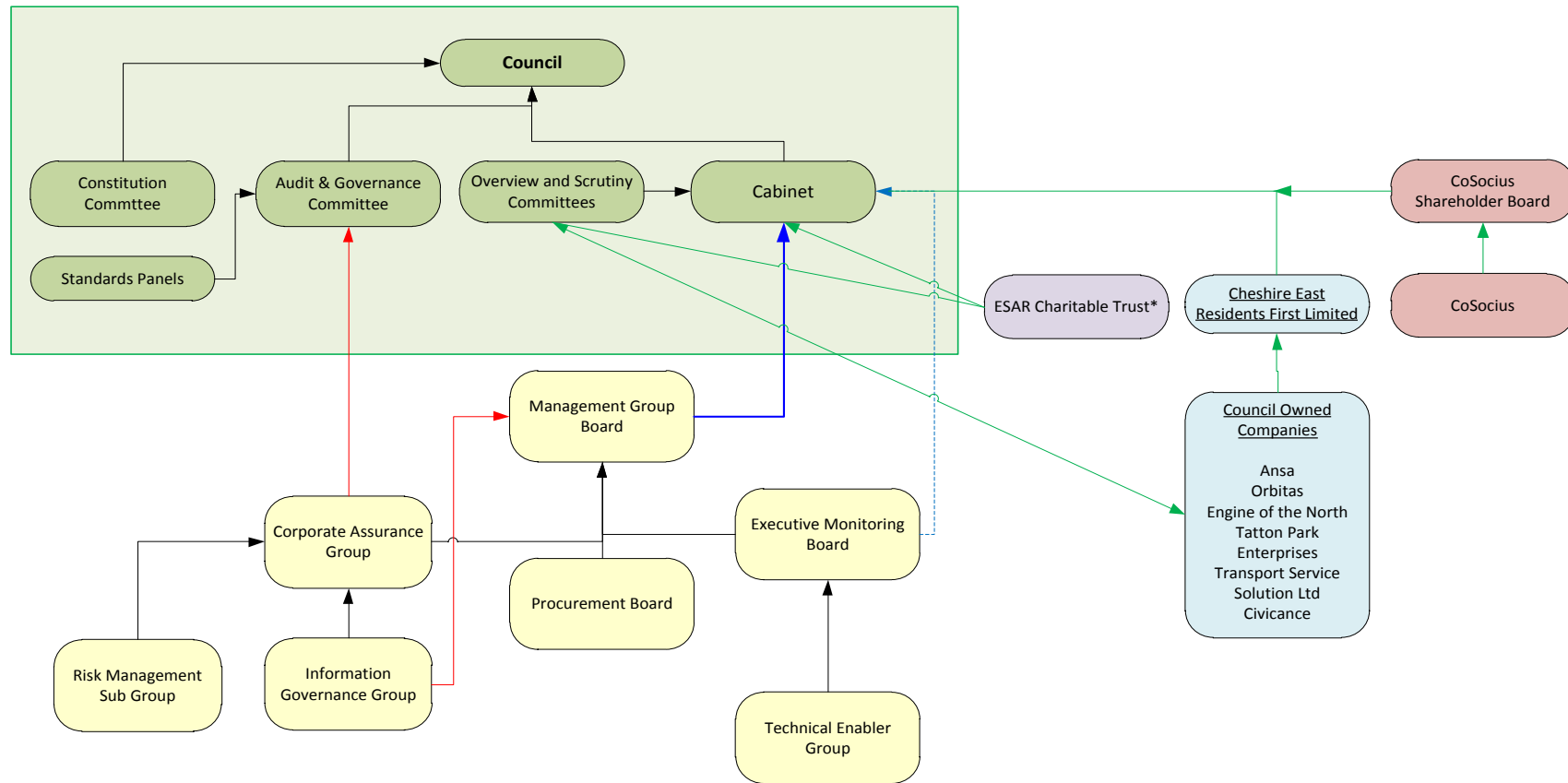
Table 3 - Continuing Governance Issues

Description	Actions	Responsibility
<p>Council Funding</p> <p>On-going and future changes to the financial framework - including several changes to national funding regimes - will increase the Council's reliance on self-financing. Many of these arise from changes to benefit administration, reductions in government grant and more schools becoming academies.</p> <p>While the Council is in a strong position it needs to accelerate its transition to a full commissioning model to ensure that the quality and cost base of services are appropriate and meet the needs of local residents and businesses within</p>	<p>The Council's approach to the continuing financial challenges, linked to austerity, are being addressed through a range of activities and communication channels.</p> <p>Senior accountants are fully engaging, with government and professional bodies (such as CIPFA, SCT, RSN & UTS), in the review of local government finance. Responses have been provided to consultations and regular seminars and meetings have been attended</p>	<p>Chief Operating Officer</p>

the future level of available resources.	<p>to ensure that issues relevant to Cheshire East Council are being discussed.</p> <p>Estimates have been developed with the Portfolio Holder, and Cabinet members, around the main funding sources. This includes Council Tax levels, tax base growth, potential Business Rates growth and the diminishing grant position. The revised Corporate Plan also introduces the Council's commitment to developing a self-financing approach to achieving outcomes.</p> <p>The Council's increasing level of collaboration with public sector partners, such as health services and neighbouring local authorities, is also subject to significant review and work is ongoing in line with CIPFA's Aligned Public Services model.</p> <p>The best fit of service providers, also described in the Corporate Plan, remains a key element of the Council's approach. Contract management, with its strong links to achieving outcomes, is also developing as a key feature of the Council's control framework.</p>	
<p>Health and Social Care Integration</p> <p>The Council is a key partner in the delivery of integrated health and social care and is a signatory of the Better Care Fund (BCF) submission to NHS England. This is a high profile programme of change which the Council is working with the two Clinical Commissioning Groups, (CCGs), and the three acute providers in the Borough. BCF is part of a staged process to focus and increase joint working with the NHS seeking to improve the health and wellbeing outcomes for Cheshire East residents, with one of the initial aims of the work programme being to reduce non-elective admissions to hospitals locally.</p> <p>The initial Plans submitted in April 2014 did not include details of specific schemes, financial plans, risk assessment or fully developed key performance indicators</p>	<p>The BCF Governance Group, overseen by Cheshire East's Health and Wellbeing board continues to meet on a monthly basis to oversee the governance of the Cheshire East BCF.</p> <p>Feedback was expected from NHS England and the Association of Directors of Social Services (ADASS) in June 2016 regarding Cheshire East's plans for BCF in 2016/17. The expected status is "approved with support".</p> <p>At the time of submission, there are were areas requiring further work and attention including:</p> <ul style="list-style-type: none"> • Final agreement for expenditure plans • Lack of a Delayed Transfers of Care (DToC) plan for South Cheshire Clinical Commissioning Group • Assurance that DToC is a standing item on Systems Resilience 	<p>Director of Adult's Social Care and Independent Living</p>

	<p>Group agendas.</p> <p>These areas had to be addressed by the end of June 2016 to avoid escalation to national level of assurance; these areas have now all been addressed within timescale. The BCF plan for Cheshire East has been approved.</p> <p>In April 2016 Mersey Internal Audit Agency published a report on the BCF arrangements in operation over 2015/16 which contained three key “medium” ranked recommendations;</p> <ul style="list-style-type: none"> • Failure to identify and effectively manage BCF risks • CEC and CCG’s Programme Management Office approaches to the BCF are not co-ordinated. • Poor Information Governance <p>These were included on the BCF risk register. The risk register and the risk assessment process have been reviewed and improved, to ensure that mitigating actions are Specific, Measurable, Assignable, Realistic and Time-related (SMART). Red rated risks are reviewed and updated on a monthly basis to ensure action is taking place to address.</p> <p>A piece of work took place to look at Programme Management Office approaches across CCGs and LAs. This had already been done by PMO leads and good practice has been shared by them and adopted accordingly to ensure more consistent approaches. We also agreed a number of actions between us to streamline reporting processes.</p> <p>Work on Information Governance is still ongoing but is the priority item on the agenda for the BCF Governance Group in to establish any gaps and allocate necessary actions.</p>	
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Appendix 1: The Governance Framework in operation during 2015/16



Key:

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

Appendix 2 – The Council’s more detailed assessment against the six principles of good governance from the Council’s Code of Corporate Governance. Hyperlinks are provided for convenience; however web content can change without notice.

Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Continuing to develop and promote the Council’s purpose and long term vision, set out in the Sustainable Communities Strategy “Ambition for All” 2012/25, the Corporate Plan, 2016/2020, the updated Medium Term Financial Strategy 2016/19 (MTFS), the Business Planning Process 2016/19 and the Leader’s Announcements to Council during 2015/16.	Corporate Plan 2016/20, Medium Term Financial Strategy 2016/19 and Budget 2016/17 (Cabinet, 9th February 2016 , Council, 25th February 2016) Business Planning Process 2016/19 (Corporate Overview and Scrutiny Committee 9 July 2015) Leader’s Announcements at Council (Council, 27 May 2015 , 23 July 2015 , 22 October 2015 , 17 December 2015 , 25 February 2016)
We have reviewed and restated the Council’s priorities for the local area and have reviewed, and continue to develop, the Council’s governance arrangements as we make the transition to operating as a strategic commissioning Council and delivering services in different ways.	Corporate Plan 2016/20 MTFS 2016/19 (Council, 25th February 2016) Skills and Growth Company – ASDV (Cabinet, 21 July 2015)
Service delivery priorities are monitored through a performance management framework, and are discussed on a monthly basis at Management Group Board and taken to Cabinet each quarter. The content of the reports demonstrates the Council’s progress in achieving against each of the five outcomes from the Council’s Three Year Plan and are used to highlight examples of excellence in service delivery, as well as monitoring areas requiring improvement.	First Quarter (Cabinet, 29 September 2015) Mid-Year Review of Performance (Cabinet, 10 November 2015) Third Quarter Review of Performance (Cabinet, 9 February 2016) Final Outturn Review of Performance (Due at Cabinet, July 2016)
Project activity is governed through the Executive Monitoring Board. The Council’s Finance Procedure Rules will always apply should changes in spending requirements be identified.	
The Council provided an updated “Value for Money” document for 2015. This was shared at all Members Finance briefings in December 2015 and February 2016 and are available on the Council’s website. The purpose of this document is to provide evidence and analysis for interested stakeholders, increasing transparency around the Council’s financial position.	Value for Money 2015

Principle 1 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local areas.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>CIPFA's <u>Prudential Code for Capital Finance in Local Authorities</u> and their <u>Treasury Management Code of Practice</u> have been adopted in full. The Council receives specialist support from <u>Arlingclose</u> on all aspects of borrowing, lending and investments.</p> <p>An annual report on the Treasury Management Strategy for 2016/17, incorporating the Minimum Revenue Provision Policy Statement, Investment Strategy and Prudential and Treasury Indicators 2016/19, required under Part 1 of the Local Government Act 2003 was approved by Audit and Governance Committee in December 2016.</p>	<p>Treasury Management Strategy and MRP Statement 2016/17</p>
<p>Various parts of the Council also use other forms of social media, including Twitter, Facebook, YouTube and Flickr to engage and inform communities and stakeholders. The Communications team also provide related media releases, where appropriate.</p>	<p>The Council has 40 Twitter accounts, the most followed of which is @CheshireEast with around 11,100 followers. Other popular accounts are @CECRangers, @FISCheshireEast and @CECLibraries.</p>
<p>The "My Cheshire East" phone application launched in March 2015. This provides residents access to localised information, news, an interactive map and the ability to "Report it".</p> <p>The app has been downloaded 2,257 times so far.</p>	<p>My Cheshire East app</p>
<p>In January 2016, Cheshire East's Health and Wellbeing Board supported a recommendation to merge the Health and Wellbeing Strategy with the Sustainable Community Strategy. Both required refreshing, and merging offers the opportunity to have one key strategic focus for the future. A combined strategy offers the means of establishing a more effective "golden thread" through the Authority and signed up partners.</p> <p>The Health and Wellbeing board promotes effective working relationships between partner organisations, including NHS bodies, and other public and third sector agencies, and gives local people greater say in the provision and delivery of care, thereby improving democratic accountability for local decisions about commissioned services.</p>	<p>Sustainable Community Strategy and Health and Wellbeing Strategy Refresh (Cheshire East Health and Wellbeing Board, 26 January 2016)</p>

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
<p>Whilst there was no change in overall administration of the Council following the May 2015 elections, there were a number of changes in Members elected to the Council. Members have been supported with induction by the Member Development Officers and a Member Training Programme is in development to reflect the needs of the current elected members.</p>	<p>Cheshire East Councillors Cheshire East Council – Political Representation Cheshire East Council Election May 2015 - Results</p>
<p>A new Leader was appointed at the February 2016 Council meeting, along with the election of a Mayor and Deputy Mayor for the 2016/17 Civic Year. As with previous years, the political representation of Committees, and the individual Members appointed to them were agreed at the Annual Meeting of the Council.</p>	<p>Appointment of Leader, Mayor and Deputy Mayor (Council, 25 February 2016) Political Representation on Committees Appointment of Members to Committees (Annual Council, 11 May 2016)</p>
<p>The Chief Executive is responsible and accountable to the Council for all aspects of operational management.</p> <p>The Chief Executive, Executive Directors and Statutory Officers meet weekly as the Management Group Board (MGB), receiving assurance reports and updates from across the Council. MGB is supported by service/departmental management team meetings, and a number of cross functional officer, and officer/member groups; the Corporate Assurance Group, Procurement Board, Executive Monitoring Board, Technical Enabler Group, Information Governance Group and Risk Management Sub Group.</p>	<p>Scheme of Delegation to Senior Officers - Constitution Corporate Leadership Structure</p>
<p>The Chief Operating Officer (COO) (Section 151 Officer), reports directly to the Chief Executive and is a member of the Corporate Leadership Board. The COO is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records, and for maintaining an effective system of internal financial control.</p> <p>The governance arrangements for the Council's Chief Operating Officer comply with the arrangements set out in CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) .</p>	<p>Corporate Leadership Structure Officers of the Council – Constitution Scheme of Delegation to Senior Officers - Constitution Statutory and Proper Officer Provisions - Constitution</p>
<p>The Head of Legal Services and Monitoring Officer is responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.</p> <p>Constitution Committee (Sept 2015) recommended to Council that the Head of Legal Services and Monitoring Officer be give delegated authority, in consultation with the Chair and Vice Chair of the Constitution Committee to make such changes to the Constitution as</p>	<p>Changes to the Council's Constitution (Constitution Committee, 17 September 2015, Council, 22 October 2015)</p>

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
deemed necessary and which are in the Council's interests and not major in nature; routine revisions, providing appropriate clarity, typographical and other drafting errors, reflecting new legislation and changes to structures and titles for example. This recommendation was approved by Council in October 2015.	
The Business Planning Process has been undertaken from May 2015 to February 2016. This has included consultation with statutory groups, including the Schools Forum and businesses, as well as other stakeholders. This included consultation with Trade Unions, Town and Parish Councils, and local Chambers of Commerce. The process culminated in the Medium Term Financial Strategy 2016/19 report, presented to Cabinet in February 2016.	Business Planning Process 2016/19 (Corporate Overview and Scrutiny Committee 9 July 2015) Medium Term Financial Strategy 2016/19 and Budget 2016/17 (Cabinet 9 February 2016, Council, 25th February 2016)
The Medium Term Financial Strategy clearly identifies how resources will be matched against the delivery of priorities established in the Council's Three Year Plan. The Strategy also provides information on delivering financial stability, the budget setting process, and the Council's Reserves Strategy.	Medium Term Financial Strategy 2016/19 (Cabinet, 9 February 2016) (Council, 25 February 2016)
Quarterly performance reports to Cabinet during 2015/16 covered a range of financial and non-financial performance indicators and activity updates, supporting the achievement of the Council's five Residents First Outcomes, agreed in the current Three Year plan agreed February 2013.	First Quarter (Cabinet, 29 September 2015) Mid-Year Review of Performance (Cabinet, 10 November 2015) Third Quarter Review of Performance (Cabinet, 9 February 2016) Final Outturn Review of Performance (Due at Cabinet, July 2016)
The Constitution includes a Member/Officer Relations Protocol, which was established to encourage effective communication between members and officers.	Member/Officer Relations Protocol in Cheshire East Constitution
The Council publishes a Pay Policy Statement by 31 st March on an annual basis. This provides transparency with regard to the Council's approach to setting the pay of its employees and is in accordance with Section 38 of the Localism Act 2011. The Pay Policy in effect for 2015/16 agreed by Council on Council 26 th February 2015. The 2016/17 Statement, recommended to Council from Staffing Committee includes a number of changes from the previous statement; the introduction of a "Living Wage" ,inclusive salaries for a small number of the most senior managers and Chief Officer Remuneration.	Pay Policy Statement for 2015/16 (Council 26 th February 2015) Pay Policy Statement 2016/17 (Staffing Committee Council 25 February 2016)

Principle 2 – Members and Officers working together to achieve a common purpose with clearly defined functions and roles.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
During 2015/16, Cheshire East Council has worked closely with a variety of other delivery partners and stakeholders such as the Cheshire and Warrington Local Enterprise Partnership (LEP), Council controlled companies, and Health partners.	Partnership Governance Reviews Cheshire and Warrington Local Enterprise Partnership Everybody Leisure Trust CoSocius
Arrangements for collaborative working are addressed in the Council's Constitution within the Finance Procedure Rules. The creation or participation in a separate legal entity, or acting as Accountable Body requires the prior agreement of the Chief Operating Officer and the Director of Legal Services.	Constitution – Finance Procedure Rules
Shared Service Arrangements are monitored and managed by the Shared Service Joint Committee and Joint Officer Board Cheshire East Residents First oversees the performance of the alternative service delivery vehicles.	Committees

Principle 3 – Promoting the values of the authority and demonstrating the values of good governance, through upholding high standards of conduct and behaviour.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The standards of conduct and personal behaviour expected of and between members, staff, associated partners and the community are defined and communicated through codes of conduct and protocols.	Members Code of Conduct and Officer Code of Conduct are included in the Council's Constitution .
Minor amendments to the Code of Conduct for Employees were agreed at Constitution Committee in February 2016, to clarify requirements for staff in relation to the declaration of interests.	Code of Conduct for Employees (Constitution Committee, 18 February 2016)
The Council uses the Code of Conduct, the Anti-Fraud and Corruption Policy and Whistleblowing Policy to ensure that members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.	Code of Conduct Whistleblowing Policy
Audit and Governance Committee received an update on anti-fraud and corruption activity at the Council and approved an a revised Anti-Fraud and Corruption Policy, which had been	Anti-Fraud and Corruption Policy (Audit and Governance Committee, 17 March 2016)

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

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
updated to reflect the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption.	
Internal Audit completed a review of 'Core Support Functions' to support this AGS. This review is an important element in ensuring the Council's organisational values are put into practice. It includes a high level assessment of the extent to which agreed policies are implemented. It will also help share best practice, ensure compliance and provide assurance and oversight to the Management Group Board.	There are no significant governance issues arising from this review. The continuation of work to consolidate guidance for Business Continuity Planning has been recognised earlier in the Statement.
The Audit and Governance Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring a Code of Conduct for Members of the Council. The Committee received the Standards Panels and Sub Committee Update Report on 17th March 2016. This covered all complaints received under the Code from 1 September 2015 to end of February 2016. The report noted that under the revised procedure for dealing with standards complaints, adopted in July 2014, there had been an increase in the speed with which complaints were dealt with.	Members Code of Conduct: Standards Report (Audit and Governance Committee, March 2016)
The Council's performance in its obligations under the Data Protection Act (1988), and the freedom of Information Act (2000) including the Environmental Information Regulations, during 2015/16 was reported upon to the March 2016 Audit and Governance Committee.	Compliance with Data Protection Act 188, Freedom of Information Act (2000) and Environmental Information Regulations (2004) (Audit and Governance Committee, March 2016)

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

How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
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Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Project activity is governed through the Executive Monitoring Board and incorporated within the Constitution; Finance Procedure Rules. The Council's Finance Procedure Rules will always apply should changes in spending requirements be identified.	Finance Procedure Rules - Constitution
The agendas, papers and minutes of Committee meetings form the main mechanism for documenting evidence for decisions and recording the criteria, rationale and considerations on which key decisions are based. These are published on the Council's website. Declarations of interests made by Officers and Members are routinely recorded in the minutes of Committee meetings. Decision makers are provided with information which is fit for purpose – clear, timely, relevant, accurate and complete, and gives clear explanations of issues and implications on both a financial and non-financial basis. Financial and legal implications of all key decisions are signed off by relevant senior officers.	Cheshire East Council – Agendas, Minutes and Reports
The Council assessed the effectiveness of its Internal Audit function by self-assessing compliance with the Public Sector Internal Audit Standards (PSIAS). The review completed by the Principal Auditors concluded that, although there are areas for improvement, (included in a separate action plan); the internal audit service is being delivered to the required standard.	Internal Audit Annual Report 2015/16 (Audit and Governance Committee, 30 June 2016)
The Council has processes in place to enable Officers and Members to record and register pecuniary and non-pecuniary interests. Minor amendments to the Code of Conduct for Employees were agreed at Constitution Committee in February 2016, to clarify requirements for staff in relation to the declaration of interests.	Individual Member Register of Interests are published on the Council's website Code of Conduct for Employees (Constitution Committee, 18 February 2016)
The draft Audit & Governance Committee's self-assessment against the CIPFA guidance will be reported back to the Committee in June 2016. The Committee assessed as compliant or partially compliant against all area apart from one, which relates to an outstanding action from the 2014/15 assessment. In comparison to the previous assessment, the Committee has assessed itself as being more effective overall. Actions required to ensure the Committee becomes fully compliant are identified in the June 2016 Report	Audit & Governance Committee Self-Assessment (Audit and Governance Committee, 30 June 2016)
The COO attends all MGB, Cabinet and Council meetings, clears all Committee decision papers with material financial implications and has direct access to the Audit and Governance Committee and External Audit. The COO meets regularly with the relevant Portfolio holders.	Cheshire East Council – Agendas, Minutes and Reports

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risks	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
Reserves strategy and forecasts are clearly set out in the Medium Term Financial Strategy (Annex 13) and are monitored through the quarterly Finance updates. Opportunities for strengthening the reserves position are routinely considered as part of the account closure exercise.	Medium Term Financial Strategy 2016/19 (Council, 25 February 2016)
The Council's Whistleblowing Policy is available on its website and intranet site together with an email address. An article in the Council's internal newsletter was placed to raise awareness during 2015/16. A report on the effectiveness of the Council's whistleblowing arrangements and a breakdown of the number of reports received in 2015/16 will be reported to the June 2016 Audit and Governance Committee. The Policy remains compliant with best practice. There was a significant increase in the number of referrals received during 2015/16, due to several referrals relating to high profile procurement issues. The number of other referrals is consistent with those received in previous years.	Whistleblowing – Council Website Whistleblowing Arrangements (Audit and Governance Committee, 30 June 2016)
We annually report on our compliance with the Regulation of Investigatory Powers (RIPA) Act 2000 to the Audit & Governance Committee. The report explains the use of the legislation and the arrangements in place to ensure the Council is compliant. The Council has been re-inspected during May 2016; the outcome of the inspection is due shortly. The Statement will be updated to reflect the outcome and any actions required.	Compliance with the Regulation of Investigatory Powers Act (2000) (RIPA) (Audit and Governance Committee, 19 March 2016)

Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The COO is a qualified CCAB accountant, with extensive local government experience. The COO is supported by a Finance team which includes a high number of qualified/part qualified accountants and qualified/part qualified accounting technicians. Cheshire East is accredited as training employer by CIPFA (Platinum Status) as well as the AAT and ACCA.	
The Constitution recognises the Council's duty to provide the Monitoring Officer and Section 151 Office with such officers, accommodation and other resources as are in their opinion sufficient to allow their duties to be performed in their statutory roles.	Chapter 11 - Constitution
All staff with access use the Oracle Performance Development module to carry out the performance review process. This provides an assessment against the achievement of	Performance Development Plans

Principle 5 – Developing the capacity and capability of Members and Officers to be effective	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
objectives, corporate behaviours, and an overall performance rating for the year. It also informs skill development requirements. The 'Towards Excellence' Training Programme is a collection of training courses and development programmes offered to all staff in the Council. Opportunities are also available to participate in training and development courses for qualifications from "The Management Institute of Excellence"	
29 new Members were elected to Cheshire East Council in May 2015. An induction programme was delivered for all new members which included a welcome address by the Chief Executive and covered the Member Code of Conduct, an introduction to Local Government finance, decision making processes and governance roles. In addition all new and returning Members were offered a programme of events which covered the role and responsibilities of the Council's Committees; this training being mandatory for Members appointed to the Licensing, Planning, Audit and Governance Committees and the Appeals Panel. Throughout the rest of the year, the Member Development team applied a fluid and responsive approach to other Member training requirements, as a full review of the Member Training offer was being undertaken. The outcome of this review should be agreed by September 2016, and is expected to be implemented via a blended learning approach of e-learning material and direct Member briefing.	Cheshire East Councillors
The roles and responsibilities of Councillors in monitoring financial performance are outlined in the Constitution, the Scheme of Delegation and in Committee Terms of Reference.	Constitution Committee Terms of Reference.
The Council has an established apprenticeship scheme allowing young people to obtain varied work experience whilst training for qualifications. The Council employs apprentices working across the Council and its arms-length operating companies. Graduate internship opportunities are also offered by the Council, supported by the Council's Workforce Development Team.	CEC Apprenticeships Working for Cheshire East

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
The "Media Hub" part of the Council's website draws together the latest news and	CEC – Media Hub

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.	
How we can demonstrate that Cheshire East Council meets this principle	Assurance Received and Issues Identified
information about the Council, and also provides information on ways of communicating with the Council. It includes links to press releases and the Council’s social media channels.	
Six Overview and Scrutiny Committees operated during 2015/16, with the Corporate Overview and Scrutiny Committee, made up of the Chair and Vice Chair of the 5 Committee, leading on coordinating the overarching work programme. The statutory responsibilities of the Scrutiny Committees have all been fulfilled during 2015/16. An annual scrutiny report for 2015/16 is in production and due to be reported to Council in July 2016. The Leader announced a review of Overview and Scrutiny at the 25 February 2016 Council	Corporate Overview and Scrutiny Committee Jobs, Regeneration and Assets Overview and Scrutiny Committee New Delivery Vehicles and Environment Overview and Scrutiny Committee Health and Adults Social Care Overview and Scrutiny Committee Children and Families Overview and Scrutiny Committee; and Communities Overview and Scrutiny Committee
The Council is committed to openness and transparency. “Part 2” Meeting items are rare, and only if they absolutely cannot be discussed in any other way. Cabinet Meetings continue to be broadcast live on the internet, and are available online to be watched after the event.	Webcast Cabinet Meetings.
Engaging with our communities is essential to ensure that we are a resident led Council. Consultation exercises are carried out as required, including statutory consultation processes for areas such as Planning and Licensing. The Council also has a citizen’s consultation panel; “Influence Cheshire East”. The panel is comprised of invited participants who are asked to complete surveys which provide valuable and constructive feedback. By working on an “invitation” basis, the membership is designed to reflect the profile of the borough. In addition, the Council has a “Digital Influence Panel” which is based entirely online and open to any resident of Cheshire East. Members of this panel area also asked to complete consultations and surveys, in many cases these will be the same as those sent to the Influence Cheshire East panel members.	Consultations in Cheshire Licensing Planning Influence Cheshire East Digital Influence Panel
Council employees receive a weekly internal newsletter (Team Voice) in addition to service specific communication and briefings. Information is cascaded from the Management Group Board through Department Management Team meetings to Team/Unit meetings as necessary. Opportunities for staff to provide feedback exist through line management supervision, team	CEtranet – “Team Voice”

Principle 6 – Engaging with local people and other stakeholders to ensure robust public accountability.

How we can demonstrate that Cheshire East Council meets this principle

Assurance Received and Issues Identified

meetings, and an online “Staff Suggestion Box”

Ref	Change
1.2 (bullet points)	Cross reference to relevant sections of the AGS included
1.5	Reference to significant governance issues removed
1.5	Section reference corrected from 4 to 5
2.6	Updated - Past tense for council tax increases
2.8	Phrase “in this context it is important to note that total spending per head of population is below average compared to the nearest neighbours” – redrafted to emphasise value for money in service delivery.
3.5	Updated to reflect draft having been taken to A&G in June.
3.11	Correction to committee name “Service Delivery Vehicles and Environment Committee” – is “Environment Overview and Scrutiny Committee”
3.11 New paragraph at 3.12	Additional wording added to provide further detail on role of scrutiny committees. <ul style="list-style-type: none"> - Scrutiny Committees – “Each overview and scrutiny committee may be invited to provide advice and recommendations on the development and updating of the policies of the Council, wholly owned companies (WOC’s), alternative service delivery vehicles (ASDV’s) and other bodies.” - Some scrutiny committees have specific regard to delivery of other public service provision; i.e. Health and Adult Social Care Scrutiny Committee
3.12 (now 3.13)	Updated to reflect Council receiving annual scrutiny report in July 16
3.26 (new)	Additional cross reference to Appendix 2, the detailed assessment against the six principles of good governance from the Council’s Code of Corporate Governance, has been included at 3.26.
4.18	Updated as per the Committee minutes to reflect procedure in managing responses to complaints from the LGO.
4.28 onwards	Content referring to Complaints, Compliments and LGO referrals updated to reflect receipt of 2015/16 LGO report and cross references the specific report going to A&G 29/09/16.
Section 5.2	Additional wording included to emphasise that control issues are being recognised in the AGS, but that they are not being recognised as “significant”, and the definition of “significant” which has been adopted. Amended wording to 5.2: The Council is recognising these issues in the Statement for clarity and transparency. Whilst there has been considerable additional resource required to manage the resolution and management of both issues, neither has resulted in the Council diverting from, or failing in the delivery of its strategic priorities, which has been the benchmark used to determine whether an issue has been determined as “significant” .
Section 5.3 Table 2-Closure of CoSocius Ltd and return to delivery via shared arrangements	Additional content added to enhance the description of the issue to reflect lessons learned and how these will be applied. This content has been taken from the report to the Shared Services Joint Committee 20/05/2016.

Section 5.3 Table 3 – Health and Social Care Integration (BCF)	Additional content added to enhance the description of the issue and the progress of actions being undertaken to manage it.
Appendix 2 Principle 1 Point 8	Additional wording to reflect how the operation of the Health and Wellbeing board enhances accountability for service delivery included.
Appendix 2 Principle 4 Point 5	Correction of typo; “...there committee” is now “the Committee”
Appendix 2 Principle 4 Point 8	Correction of typo - “2051/16” is now “2015/16”
Appendix 2 Principle 5 Point 6	Correction of typo – should be “its” rather than “it’s”

CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 29 September 2016
Report of: Chair of the Audit and Governance Committee
Title: Audit and Governance Committee Annual Report 2015/16
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 The purpose of the report is for the Committee to consider the draft 2015/16 Annual Report of the Audit and Governance Committee and agree the final version of the report that will go to Council on 20 October 2016.

2.0 Recommendation

- 2.1 That the Committee considers the draft Annual Report 2015/16, as attached (Appendix A) and agree the final version that will go to Council in October 2016.

3.0 Reasons for Recommendation

- 3.1 To report in accordance with the Council's Constitution. The Audit and Governance Committee's Terms of Reference include:
- To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
 - 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 functions.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Wards Affected

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 None.

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

8.1 None.

9.0 Risk Assessment

9.1 There is a requirement within the Council's Constitution for the Audit and Governance Committee to submit an annual report to Council. Failure to submit the record would be a breach of the Constitution.

10.0 Background and Options

10.1 Current CIPFA guidance, *Audit Committees, Practical Guidance for Local Authorities and Police* (2013) states that audit committees should report regularly on their work and at least annually report an assessment of their performance. Aspects to consider include:

- whether the committee has fulfilled its agreed terms of reference
- whether the committee has adopted recommended practice
- whether the development needs of committee members have been assessed and whether committee members are accessing briefing and training opportunities
- whether the committee has assessed its own effectiveness or been the subject of a review and the conclusions and actions from that review
- what impact the committee has on the improvement of governance, risk and control within the authority.

10.2 The requirement to submit an annual report is included within Cheshire East Council's Constitution.

11.0 Access to information

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

Name: Councillor Lesley Smetham

Designation: Chair of the Audit and Governance Committee

Tel No: 01625 426173

Email: lesley.smetham@cheshireeast.gov.uk



Audit and Governance Committee

Annual Report 2015/2016

Introduction by the Chair of the Audit and Governance Committee

I am pleased to present the annual report of the Audit and Governance Committee which outlines the Committee's work and responsibilities for 2015/16.

I hope that this report helps to demonstrate to Cheshire East residents and to the Council's other stakeholders, the vital role that is carried out by the Audit and Governance Committee and the contribution it makes to the overall governance arrangements at Cheshire East Council. All Audit and Governance Committee meetings are open to the public.

During the 2015/16 municipal year, meetings of the Audit and Governance Committee were attended by:

- the Chief Executive,
- Chief Operating Officer
- Monitoring Officer
- Corporate Manager Governance and Audit
- other senior officers, and
- representatives from Grant Thornton, the Council's external auditors.

This demonstrates the priority and importance given to receiving assurance on the effectiveness of the Council's internal controls and systems, particularly in the context of an ongoing financially challenging landscape.

The Audit and Governance Committee has played, and continues to play, a significant part in ensuring that appropriate governance arrangements have been introduced and are functioning properly.



We have continued to successfully develop the self-assessment arrangement for reviewing the effectiveness of the Committee. Areas for improvement have been progressed and action plans developed.

Training sessions for Members of the Committee have been delivered during the year, and an assessment against the core knowledge and skill's framework outlined in CIPFA's "Audit Committees - Practical Guidance for Local Authorities and Police" is underway.

I would like express my thanks to those officers and members who have supported the work of this Committee by presenting and discussing reports.

The Committee has been well attended during the year with constructive questioning and suggestions by members of the Committee throughout. Issues that have been raised by members have been addressed and reported back to the Committee.

Councillor Lesley Smetham

Chair of the Audit and Governance Committee

September 2016

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 performance and Codes of Conduct for Members of the Council (including co-opted Members and other persons acting in a similar capacity). This is evidenced by the Audit and Governance Hearing Committee which met in November 2015.

Governance, Risk and Control within Cheshire East Council

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

(Annual Governance Statement 2015/16)

The Audit and Governance Committee outcomes for monitoring the governance, risk and control framework and arrangements of the Council during the year, include the following:

- Approving the Council's 2015/16 Statement of Accounts (Draft June 2016 / Final September 2016).
- Approving the Council's 2015/16 Annual Governance Statement (Draft June 2016 / Final September 2016).
- Reviewing the operation of and compliance with the Council's Code of Corporate Governance and making recommendations on its content (June 2015)
- Overseeing internal audit's operations and receiving the Head of Internal Audit's Opinion (June 2016).
- Undertaking a self-assessment of the Committee against CIPFA guidance (December 2015/June 2016).
- Receiving the External Auditor's Annual Audit Letter, Audit Plans, and any other reports and significant matters deemed necessary by the External Auditor (various).
- Reviewing the progress and adequacy of management's response to internal and external audit recommendations (various update reports).
- Reviewing revised Risk Management Policy Statements and reports on the monitoring and review of risk management, to consider the effectiveness of arrangements (December 2015 / June 2016).
- Monitoring the use of the council's use of its powers under the Regulation of Investigatory Powers Act 2000 (March 2016).
- Monitoring compliance with Data Protection Act 1998, Freedom of Information Act 2000, and Environmental Information Regulations 2004 (March 2016).
- Receiving a presentation on the Council's Performance Management arrangements (March 2016)
- The introduction of monitoring Waiver and Record of Non-adherence (WARNs) from December 2015 Committee onward, with a summary report and the presentation of individual WARNs considered under part two items.

Significant assurances the Committee has received during the year include:

- **2014/15 Financial Statements Opinion (External Audit):** *"We issued an unqualified opinion on the Council's 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council."*(October 2015)
- **2014/15 Value for Money (VFM) Conclusion (External Audit):** *"On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in*

place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.” (October 2015)

- **2015/16 Internal Audit opinion:** *“The Council’s framework of risk management, control and governance is assessed as adequate for 2015/16.” (June 2016)*

The External Auditor’s opinion on the Financial Statements and the Value for Money conclusion for 2015/16 will be presented to the September 2016 meeting of the Audit and Governance Committee. This report will be updated to reflect the reported opinions before being presented to Council.

Effectiveness of the Committee

The Committee regularly undertakes a formal review of its own effectiveness. The 2015/16 self-assessment was carried out with the Chair and Vice Chair against the CIPFA guidance, *Audit Committees – Practical Guidance for Local Authorities and Police 2013* and the results reported to the Committee in June 2016.

The Committee recognised one area of non compliance due to an outstanding action from the 2014/15 self assessment action plan. Self assessment by Members against the core knowledge and skill’s framework outlined in CIPFA’s “Audit Committees - Practical Guidance for Local Authorities and Police” is underway.

The Committee assessed as compliant or partially compliant against all other areas. Actions to ensure the Committee becomes fully compliant are in place, with some already implemented. In receiving the report in June 2016, the Committee noted positive improvements to the culture of the organisation such as the addition of WARNs as a regular item on the committee agenda and the value of the “Cardiff checks” carried out as part of the Member/Officer work group. Progress in implementing the actions will be reported to a future meeting of the Committee.

The Committee’s Terms of Reference (TOR) based on the CIPFA guidance were approved by Council in May 2014 to be reviewed annually thereafter. In May 2015 the Committee was asked to agree to the inclusion of behaviours and performance in the TOR, subject to approval of both Constitution Committee and Council. Constitution Committee received the report on 15th July 2015 and full Council approved the changes on 23rd July 2015.

The Committee’s 2015/16 Work Plan was developed in line with these Terms of Reference to ensure that the Committee continued to work effectively and fulfil its purpose.

In September 2015 the Committee approved the recruitment of an independent person to the Audit and Governance Committee under the Localism Act 2011. At the June 2016 Committee the recruitment panel was agreed and it is expected that an independent person will be co-opted at a future meeting.

Outline of the Work of the Committee

This annual report sets out how the work of the Committee during 2015/16 has met the Terms of Reference on pages 9-13.

Additional Assurance

It was agreed at the December 2015 meeting that future annual reports of the Committee be expanded to include greater details on any areas of additional work requested by the Committee to provide it with additional assurances, and that it also include analyses of its effectiveness.

Additional assurance work requested by the Committee has been provided around emerging issues including:

Email retention and archiving policy

In March 2016 the committee received a presentation on the Council's development of best practice email archiving and management arrangements. Due to the quantity of emails to be managed the system now needed to be migrated and certain measures put in place to enable them to then be retrieved as and when necessary. Staff would be given comprehensive training on the storage of information contained in emails to enable them to prepare in good time for the migration which was to be carried out on a phased basis.

It was noted that different arrangements would apply to those involved with Children's services in the light of the Goddard Inquiry which, although still running, had issued a statement that there should be 'indefinite retention of electronic mail where accounts may contain information.'

Ombudsman complaints and lessons learnt

In March 2016 the committee received a presentation on the Council's process for the review and administration of Local Government Ombudsman (LGO) Reports during 2015/16. Members were advised on the key stages in the process from the start through to completion including action taken on the receipt of the provisional view and arrangements for publishing the findings on the Council's website.

The presentation included details of the complaints and enquiries received by the LGO in the period 1 April 2015 to 31 January 2016. Members were informed that eight cases had been upheld; four with fault and no injustice, and four with injustice and the action to be taken in each case was reported.

The Committee considered the procedures in place were adequate and noted the outcomes which could all be used as part of a learning process.

Report on Procurement

Review of 2015/16

A number of high profile whistleblowing referrals were received during 2015/16 that raised concerns around procurement processes. In response, the scope of an ongoing audit of procurement arrangements was expanded to incorporate the testing of these concerns.

This work commenced in the third quarter of 2015/16 and was ongoing in late December 2015 when, following the launch of an investigation by Cheshire Police regarding alleged misconduct in public office, the internal audit work was suspended. This piece of work remains on hold pending the outcome of the police investigations which are ongoing at this time. The internal audit work will be completed once the police investigation concludes.

In March 2016 the Procurement Manager presented a report on the quantity and reasons for the issue of Waiver and Non Adherences (WARNs) and gave details of the total number issued for 2015/16. The report listed the circumstances whereby a WARN could be used, and the approval process, and summarised the number per service area along with the reasons for issue.

The Committee was advised that a new template had been drawn up and the process was continually being updated in the light of experience. Also, in every case where a WARN was used follow-up action was detailed and this was subsequently carefully monitored.

Reporting of all WARNs's (Waiver and Record of Non-adherence):

Following the report of Procurement Manager in March 2016, it was confirmed that this would be a regular report to the Committee and it was proposed that statistics be collated from the start of the 2016 Municipal Year with the intention of being able to compare the overall position on an annual basis.

From June 2016 onwards summary information is provided as a part one agenda item, with the details being considered as part two, excluding press and public be excluded from the meeting during consideration of the following item pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that it involves the likely disclosure of exempt information as defined in Paragraphs 1 2 and 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

Review by Member/Officer group of Cardiff checks:

Since March 2016 the Councillor Simon and Vice Chair have selected a sample of 10 invoices for review, the results of the compliance review are discussed at the Counter Fraud Member/Officer group.

Performance Management Arrangements:

Members received a presentation on the arrangements and controls in place to prepare, manage and report on the Council's medium term budget and financial strategy. The presentation took members through the process from budget setting when the parameters were first set and evidence provided for the financial estimates for the year, how it was monitored throughout the year, leading to the end of year position and the opening balances for the process to start again.

Members of the Committee

Members of the Committee during 2015/16 are set out on pages 14-15.

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 Annual Governance Statement. It has also ensured that it is up to date in adopting new guidance and/or recommended practice, including:

- The annual review of the Terms of Reference, based on CIPFA guidance.
- Approving updates to the Internal Audit Charter, based on the Public Sector Internal Audit Standards.
- Undertaking a self-assessment of the Committee, based on CIPFA guidance.

Training and Development

The following training was carried out during the year:

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

The Member/Officer Groups continued to meet through 2015/16. The groups enable individual Members to become more involved in specific areas of audit and governance work as a means of developing in-depth knowledge and expertise, and cover the following areas:

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

Members have continued to have access to 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 2015, 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.

Governance and Finance training was delivered in May 2015 and September 2015. In December 2015 the committee evaluated progress in relation to implementation of actions to improve effectiveness.

Agendas and Minutes

Review of 2015/16

The committee meetings reviewing the key outputs for the 2015/16 financial year were held;

- 25th June 2015
- 24th September 2015
- 10th December 2015
- 17th March 2016
- 30th June 2016 (draft AGS and Accounts for 2015/16)
- 29th September 2016 (approving AGS and Accounts for 2015/16)

Work programme for 2016/2017

The Committee has an agreed work programme for 2016/17, 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. Additionally we will;

- Continue to develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified risks and assurances are identified as early as possible and remedial actions are taken in a timely fashion.
- Oversee the restructuring required of the Audit and Governance Committee to comply with the requirements of the Local Audit and Accountability Act 2014 (including the appointment of Independent Members)
- Continue to review governance arrangements to ensure the Council adopts the latest best practice and moves towards becoming an open and transparent public organisation
- Continue to support the work of internal and external audit and ensure that responses are given to their recommendations
- Oversee the implementation of the Public Sector Internal Auditing Standards
- Continue to help the Council to manage the risk of fraud and corruption
- Continue to develop the Audit and Governance Committee to review the risk and partnership issues and safeguarding public sector assets
- Equip existing and new Members to fulfil our responsibilities by providing more detailed and focused training on all key areas of responsibility, including financial arrangements and risk management, governance and audit planning.

It should be noted that the following items may require reports to the Committee which have not, as yet, been allocated to a specific meeting agenda.

- Annual review of the committee Terms of Reference (completed June 16)
- Risk Management; revised corporate risk register
- Update on ASDV governance arrangements
- Review of the Code of Corporate Governance
- Business Continuity
- Responses from the staff survey
- EU referendum; the effects of Brexit on CEC

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
Annual Report	
To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.	The December 2015 Audit and Governance Committee meeting has been asked to review and approve the 2014/15 annual report for submission to the December 2015 Council meeting. This meeting, September 2016, will review the 2015/16 annual report for submission at a future Council meeting.
Governance, Risk and Control	
To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.	The Committee received and approved an update to the Code of Corporate Governance June 2015.
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.	An update on progress against previous AGS Action Plans was received in December 2015 and endorses the process for the production of the Annual Governance Statement. The Committee received the draft 2015/16 Annual Governance Statement in June 2016 and are due to review the final version in September 2016.
To monitor the effective development and operation of risk management in the council.	The Committee received update reports on Risk Management in December 2015 and June 2016.
To monitor progress in addressing risk related issues reported to the committee and to review the assessment of fraud risks and potential harm to the Council from fraud and corruption. To monitor the counter fraud strategy, actions and resources.	The Committee monitors Anti-Fraud and Corruption arrangements on an ongoing basis. The Audit and Governance committee Member/Officer sub group for anti-fraud and corruption discusses and reviews arrangements

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
	and current issues as part of their work plan. The Committee considered the Anti-Fraud and Corruption update report in March 2016.
To review and monitor the Council's treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice.	The Treasury Management 2014/15 Annual Report was received in September 2016. The 2016/17 Treasury Management Strategy and Minimum Revenue Position (MRP) Statement was reviewed at the December 2015 committee meeting.
Internal Audit	
To approve the internal audit charter.	An updated internal audit charter was approved at the December 2015 committee meeting.
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.	The Committee approved the overall strategy and annual 2015/16 programme of audits (March 2015) and monitored progress against the plan (December 2015, March 2016)
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. To consider summaries of specific internal audit reports as requested.	Internal Audit interim reports against the 2015/16 plan were received in December 2015 and March 2016, with the 2016/17 Internal Audit Plan received in March 2016. Internal Audit interim reports include a summary of internal audit completed and the significant issues arising from individual assignments.
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.	The committee are updated in the Head of Internal Audit annual opinion report on the progress made on assessment criteria required to comply with the Public Sector Internal Audit Standards. The

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
	Member/Officer sub group for audit covers the requirements in detail and the actions required, and feedback will now be presented to committee.
To consider the head of internal audit's annual report.	The 2015/16 Internal Audit Annual Report, including the annual audit opinion was presented to the Committee in June 2016. (The 2014/15 Internal Audit Annual Report was presented to the Committee in June 2015.)
To support the development of effective communication with the Head of Internal Audit.	The Head of Internal Audit and in his absence, Principal Auditors, meet on a regular basis with the Chair and Deputy Chair of the committee. There are also regular meetings of Member/Officer groups which meet on a regular basis to discuss a variety of assurance issues in more detail. These meetings include the Head of Internal Audit opinion.
External Audit	
To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.	The 2015/16 Audit Findings Report and Review of the Council's Arrangements for Securing Financial Resilience will be presented to Committee in September 2016 by the External Auditor. (The 2015/16 Audit Findings Report will also be reported to the September 2015 meeting). The 2014/15 Annual Audit Letter was issued in November 2015 and was reported to the December 2015 Committee meeting. (The 2015/16

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
	Annual Audit Letter will be reported to the Next available meeting after issue.)
To consider specific reports as agreed with the external auditor.	The Committee received and considered the work of the External Auditor (all meetings during the year.)
To comment on the scope and depth of external audit work and to ensure it gives value for money	Audit and Governance Member/ Officer sub group for audit review external audit work throughout the year and assess the value that the Council receives from the work completed and reported.
To commission work from internal and external audit and to advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.	The Audit and Governance committee and the Member/Officer sub groups will consider the work plan at all meetings and commission additional work where committee members determine that additional assurance is required. The relationship between internal and external audit is reviewed at least annually together with any requirements to liaise with any other relevant agencies.
Financial reporting	
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.	The Draft Statement of Accounts 2015/16 was presented to the June 2016 committee, and will be subject to approval at Committee in September 2016. The Statement of Accounts 2014/15 was approved at Committee in September 2015.
To consider the external auditor's report to those charged with governance on issues	The 2015/16 Audit Findings Report and Review of

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
<p>arising from the audit of the accounts.</p>	<p>the Council's Arrangements for Securing Financial Resilience will be presented to Committee in September 2016 by the External Auditor.</p> <p>The 2014/15 Annual Audit Letter was issued in November 2015 and was reported to the December 2015 Committee meeting. (The 2015/16 Annual Audit Letter will be reported to the Next available meeting after issue.)</p>
Related Functions	
<p>To approve and monitor Council policies relating to "whistleblowing" and anti-fraud and corruption.</p>	<p>Revised and updated whistleblowing policy arrangements were brought to the committee in June 2015 and June 2016. Fraud and corruption work monitored throughout the year.</p>
<p>To seek assurance that customer complaint arrangements are robust</p>	<p>Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 2014/15 presented to Committee in September 2015.</p> <p>Annual Report of Corporate Complaints and Local Government Ombudsman's Annual Review 2015/16 will be presented to Committee in September 2016.</p>
Standards	
<p>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).</p>	<p>Members Code of Conduct Standards Reports updates recording decisions relating to complaints were submitted to the Committee in September</p>

Audit and Governance Committee – How the Terms of Reference have been met in 2015/16: Summary

Terms of Reference of Committee	Relevant activity in 2015/16
	<p>2015 and March 2016.</p> <p>Audit & Governance Committee Members have attended Standards and Complaints Hearings through the year. A Review of Standards Arrangements for Dealing with Code of Conduct Complaints was received by the committee in September 2015.</p> <p>As Chair of Audit and Governance Committee I have provided advice and guidance to a number of Town and Parish Councils and other outside bodies.</p>
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.	<p>There have been no requests for individual dispensations during 2015/16. A report to approve the procedure for the recruitment of three Independent Persons to the Council under the Localism Act 2011 was received at the September 2015 committee.</p> <p>A special dispensation in relation to the Local Plan part two was presented to the committee in February 2016.</p>

Audit and Governance Committee Members 2015

	<p>Councillor Lesley Smetham (Chair)</p> <p>Councillor Smetham has been an elected member of Cheshire East Council since its beginning in April 2009 and was appointed as Chair of the Audit and Governance Committee in June 2015.</p>
	<p>Councillor David Marren (Vice Chair)</p> <p>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 Marren was re-appointed as Vice Chair of the Audit and Governance Committee in June 2015.</p>
	<p>Councillor Chris Andrew</p> <p>Councillor Andrew became an elected member of Cheshire East Council in May 2015, and has been a member of the Audit and Governance from June 2015 to May 2016.</p>
	<p>Councillor Gordon Baxendale</p> <p>Councillor Baxendale has been with Cheshire East Council from April 2009, and has been a member of the Audit and Governance Committee since June 2015.</p>
	<p>Councillor Amanda Stott</p> <p>Councillor Stott became an elected member of Cheshire East Council in May 2015, and has been a member of the Audit and Governance Committee since June 2015.</p>
	<p>Councillor Sam Corcoran</p> <p>Councillor Corcoran became an elected member of Cheshire East Council in May 2011 and has served on the Audit and Governance Committee since then.</p>

Audit and Governance Committee Members 2015

	<p>Councillor Rod Fletcher</p> <p>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.</p>
	<p>Councillor Martin Hardy</p> <p>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.</p>
	<p>Councillor Andrew Kolker</p> <p>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.</p>
	<p>Councillor Margaret Simon</p> <p>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.</p>
	<p>Councillor Les Gilbert</p> <p>Councillor Gilbert has been an elected member of Cheshire East Council since its beginning in April 2009. He is a new member of the Audit and Governance Committee joining in May 2016.</p>

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CHESHIRE EAST COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 29th September 2016
Report of: Compliance and Customer Relations Manager
Subject/Title: Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2015-16

Portfolio Holder: Cllr Paul Findlow

1.0 Report Summary

- 1.1 Feedback from customers is welcomed and encouraged by Cheshire East Council in order that the information can be used to drive service improvements. This report summarises the formal feedback received from customers during 2015/16. This includes complaints processed through the Statutory Children's Services process, Adult Social Care process and the Corporate Complaints process, together with a summary of the cases dealt with by the Local Government Ombudsman. It also reflects on the trends, issues and responses across all services.
- 1.2 During 2015/16 the Council received 3597 instances of customer feedback - 1855 were compliments, 177 were suggestions and 1565 were complaints. (Details are attached at **Appendices 1a, 1b and 1c.**) Complaints have increased slightly on the previous year (1565 in 2015/16 compared with 1435 in 2014/15).
- 1.3 There has been a significant increase (38%) in recorded compliments. The number of recorded compliments was 1855, compared with 1346 in 14/15. Over two-thirds of these related to Adult Services and Children's Services. The Council also recorded 177 suggestions (181 in 2014/15). These are neither complaints nor compliments but often suggested changes to policy or working practice. We are unable to compare these figures with other Local Authorities as this information is not centrally published unlike the complaints statistics. However, this can be obtained via a manual process if necessary for future reports.
- 1.4 In addition, there was a significant reduction in complaints from MP's on behalf of their constituents received by the Chief Executive's office (30 in 2015/16 compared with 77 in 2014/15 and 188 in 13/14). These are not formally recorded on the Council's corporate feedback system, but are referred directly by the Chief Executive's office to the services to respond. Some of these are duplicates of the complaints already recorded in Appendix 1a.

2.0 Recommendation

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

3.0 Reasons for Recommendations

- 3.1 The Terms of Reference for the Audit and Governance Committee include seeking assurance that customer complaint arrangements are robust.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Adherence to the Corporate Complaints, Suggestions and Complaints Policy, the Children's Social Care Complaints Policy and the Adults Social Care Complaints Policy is key to ensuring that customers 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.

7.0 Financial Implications

- 7.1 If fault causing injustice is found, Cheshire East Council can be asked to pay compensation to a complainant. The Council made 6 compensation payments in 2015/16 amounting to £8185.

8.0 Legal Implications

- 8.1 There are no legal implications with this report.

9.0 Risk Management

- 9.1 Robust complaint tracking, handling and monitoring arrangements 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 & Governance Committee makes an important contribution to the Council's assurance process.

10.0 Background and Options

10.1 Once a formal complaint has been recorded it is passed to the Service Manager to respond. The customer has a right of appeal (Stage 2) if he/she is 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 manager who initially investigated the complaint if they remain unhappy with the response. 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.

10.2 Stage 2 complaints

Corporate Complaints – of the 1565 corporate complaints received in 2015/2016, 72 (4.6%) customers requested a Stage 2 investigation and 10 (0.6%) 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 2014/2015, when 74 (6%) customers requested a Stage 2 investigation and 17 (1%) went straight to Stage 2. The main areas which received requests for Stage 2 investigations were Development Management and Council Tax and Business Rates.

Children's Social Care – 104 new complaints were received in 2015/16, compared with 98 received in 2014/15. Of the 104 complaints, 6 were ultimately taken to Stage 2.

Adults Social Care – 105 new complaints were received in 2015/16, compared with 93 in 2014/15.

10.3 Frequent Complaints

The most frequent complaints received by the Council in 2015/16 are detailed in **Appendix 2**.

10.4 LGO referrals

All customers are offered the opportunity to appeal to the LGO if they are unhappy with the way in which the Council has handled their complaint. **Appendices 3a and 3b** show the number of Decision Notices issued to the Council during 2014/15 (90) and 2015/16 (79). In 2015/16 the LGO closed 129 cases relating to Cheshire East. Of these 129 cases, 50 were not directly referred back to the Council¹, 34 cases were closed after the initial enquiry, 25 were not upheld and 20 were upheld.

10.5 LGO Annual Report 2015/16

Headlines from the LGO's latest Annual Report reveal that, for all local authorities, they received 19702 complaints and enquiries, which is a similar level to 2014/15. There was an increase in upheld investigations from 46% in 2014/15 to 51% in

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

2015/16. They state that the area most complained about was Education and Children's Services, and it was here that they saw the biggest increase (13%) in enquiries and complaints. The other most significant change was a reduction of 7% in enquiries and complaints relating to Housing. A copy of the report can be accessed via the LGO's website at:

<http://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews>

10.6 Comparisons with other local authorities

Appendix 4 shows the distribution of complaints/enquiries to the LGO by service area, compared with those for:

- (i) other local authorities
- (ii) nine neighbouring authorities (geographic)
- (iii) CIPFA nearest neighbours (15 other local authorities with the highest degree of similarity to Cheshire East based on a broad range of socio-economic indicators)

Cheshire East Council has the 13th largest population of the **325** local authorities compared in the LGO report and in 2015/16 ranked 62nd highest for complaints/enquiries to the LGO per 10,000 population. (In 2014/15 the Council had the 14th largest population and ranked 48th highest per 10,000 population.)

	2015-16 Cheshire East	2015-16 National Average	2014/15 Cheshire East	2014/15 National Average
Complaints/enquiries to LGO per 10000 population	3.2	2.7	3.6	2.9
Ranking	62nd		48th	

- In 2015/16, the highest number of referrals to the LGO relating to Cheshire East Council was for Education and Children's Services and Planning and Development. However, there is an improvement from 2014/15 in terms of ranking in relation to all other local authorities. In 2015/16 these services respectively ranked 63rd and 60th, compared with 2014/15, when they ranked 26th and 53rd.
- Of the complaints decided on by the LGO in 2015/16 in relation to the 10 nearest geographic neighbours, Cheshire East Council is ranked 7th out of the 10 with an upheld rate of 44%. The top (1st) ranking was an upheld rate of 77%. The bottom (10th) ranking was an upheld rate of 0%. Upheld complaints are where the LGO have decided that an authority has been at fault in how it acted.

- In terms of CIPFA nearest neighbours, Cheshire East ranks as the 6th best out of 16 in this group for Upheld Complaints.
- For Education and Children's Services, the CE proportion of complaints (19%) is similar to both our geographic (16%) and CIPFA nearest neighbours (21%) but less so nationally (14%).
- For Cheshire East Planning and Development, though the number of complaints investigated by the LGO has reduced from 2014-15, the proportion of complaints in 2015-16 (23%) is higher than those of our Geographic Neighbours Group (18%), CIPFA Nearest Neighbours Group (18%) and the national average (16%). However, this figure can be partially attributed to the lack of an adopted local plan and the planning process for the Waste Transfer Station in Middlewich. The latter was the subject of 28% of the Planning complaints formally investigated by the LGO in 2015-16.

10.7 MP's complaints

Responses to complaints from MP's on behalf of their constituents are coordinated by the Chief Executive's Office. The table below details the MP's complaints received during 2015/16 compared with 2014/15:

Service	2015/2016	2014/2015
Highways and Transport	5	19
Other	1	13
Planning	5	9
Children's Services	6	6
Environmental Health, Licensing and Trading Standards		6
Adults Services	3	5
Compliance		5
ANSA/Waste	1	3
Council Tax and Business Rates	2	3
Communities	4	2
Housing/Housing Benefit	2	2
Assets	1	1
Orbitas		1
Regeneration		1
Parking		1
Development Management		0
Legal and Democratic Services		0
Leisure		0
Total	30	77

10.8 Training and benchmarking

One-day training sessions on Effective Complaints Handling have been delivered by the LGO to managers, Stage 2 investigators and Complaints Coordinators across the organisation and further training days are planned during the remainder of 2016/17.

External benchmarking is also undertaken and members of the Customer Relations and Compliance team meet with their counterparts in other authorities to ensure that the Council is learning from best practice elsewhere. Regular meetings take place with senior management teams to discuss feedback and agree learning points, actions and follow up of these actions.

11.0 Access to Information

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

Sandra Smith
Customer Relations and Compliance Manager
01270 685865
Sandra.smith@cheshireeast.gov.uk

SERVICE AREA	Complaints Received 2015 / 2016	Complaints Received 2014 / 2015	Complaints Received 2013 / 2014	Complaints Received 2012 / 2013
Waste & Recycling	359	235	1026	339
Highway Operations	227	227	291	212
Council Tax Business Rates & Billing	240	208	155	160
Development Management	165	177	129	109
Adult Services	111	100	109	136
Children's Services	105	100	87	91
Housing Benefits	60	74	51	32
Customer Services	40	47	82	51
Parking Enforcement	31	35	50	26
Grounds Maintenance	21	29	42	27
Transport	39	29	28	42
Democratic Services	27	24	10	8
Licensing	4	24	2	9
Environmental Protection	15	23	21	13
Education Complaints	19	12	9	16
Library & Cultural Services	12	11	17	24
Street Cleansing	13	11	1	0
Housing	12	10	9	10
Assets	4	10	10	3
Community Safety	12	9	2	0
Mixed Service Area	5	8	12	5
Spatial Planning	0	5	2	1
Building Control	3	5	3	0
Bereavement	4	4	6	1
Legal Services	2	4	3	0
Land Charges	13	4	1	2
HR	1	2	1	1
Leisure	2	2	57	70
Highways Strategy	4	1	0	7
Visitor Economy incl. Tatton Park	1	1	0	0
Regeneration & Economic Development	0	1	0	3
Finance General	2	1	0	3
Procurement	1	1	0	0
Governance & Audit	2	1	0	0
Communications & PR	1	0	10	3
Green Spaces	6	0	3	3

ICT	0	0	1	0
Transformation	0	0	1	0
Planning & Performance	0	0	0	3
Partnerships Business Manager	1	0	0	0
Engine of the North	1	0	0	0
Shared Services	0	0	0	1
TOTAL COMPLAINTS	1565	1435	2231	1411

COMPLIMENTS RECEIVED

Appendix 1b

SERVICE AREA	Compliments Received 2015 / 2016	Compliments Received 2014 / 2015	Compliments Received 2013 / 2014	Compliments Received 2012 / 2013
Adult Services	682	669	685	792
Children's Services	558	170	25	29
Customer Services	177	99	127	82
Waste & Recycling	98	86	60	54
Council Tax Business Rates & Billing	52	75	63	39
Highway Operations	42	62	47	24
Grounds Maintenance	79	56	49	16
Street Cleansing	67	50	0	0
Housing Benefits	48	43	54	66
Development Management	14	10	3	10
Library & Cultural Services	14	10	11	16
Environmental Protection	2	4	4	0
Building Control	0	3	1	2
Parking Enforcement	1	2	3	0
Regeneration & Economic Development	0	2	1	0
Education	2	2	0	0
Licensing	2	1	2	0
Community Safety	2	1	0	0
Housing	4	1	0	0
Visitor Economy incl Tatton Park	1	0	0	0
Leisure	0	0	4	4
Assets	1	0	1	0
Transport	3	0	0	3
Green Spaces	2	0	0	1
Finance General	0	0	0	1
Democratic Services	0	0	0	1
Land Charges	1	0	0	1
Communications & PR	1	0	0	0
Governance & Audit	2	0	0	0
TOTAL COMPLIMENTS	1855	1346	1140	1140

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SERVICE AREA	Suggestions Received 2015 / 2016	Suggestions Received 2014 / 2015	Suggestions Received 2013 / 2014	Suggestions Received 2012 / 2013
Adult's Services*	61	57	35	57
Children's services*	75	49	40	15
Waste & Recycling	12	21	21	10
Highway Operations	6	16	6	9
Grounds Maintenance	5	11	0	2
Customer Services	0	5	1	0
Parking Enforcement	0	4	0	3
Council Tax Business Rates & Billing	3	4	1	1
Development Management	3	3	0	1
Street Cleansing	1	2	0	0
Community Safety	0	2	0	0
Visitor Economy incl Tatton Park	0	2	0	0
Library & Cultural Services	3	1	3	2
Building Control	0	1	0	0
Housing	0	1	0	0
Green Spaces	1	1	0	1
Leisure	0	1	4	6
Partnerships Business Manager	0	0	2	1
Licensing	0	0	1	0
Environmental Protection	0	0	1	0
Spatial Planning	0	0	1	0
Highways Strategy	0	0	1	0
Mixed Service Area	1	0	0	0
Bereavement	0	0	0	0
Housing Benefit	2	0	0	0
Transport	1	0	0	0
Assets	2	0	0	0
Governance & Audit	1	0	0	1
Democratic Services	0	0	0	2
TOTAL SUGGESTIONS/COMMENTS	177	181	117	113

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

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<i>Service Area</i>	<i>Percentage change from 2014/15 and most frequent cause for complaint</i>	<i>Comments from Services</i>
Waste and Recycling	+53% Missed collections and repeatedly missed collections.	In 2015-16 it was identified that contamination of recycling bins was increasingly becoming a significant issue with recycling loads being rejected by the reprocessor. In order to tackle this issue there was a focus on households with contaminated bins and communications informing residents what could and could not go into the bin. Bins which were put out for collection but were contaminated were rejected and stickered as contaminated. This action led to an increased number of 'missed collections' complaints. Additionally, some households with contaminated bins were then refilling their black bins with the contamination and re-presenting after collections were made, or reporting the bin as missed. The recent survey conducted during June 2016 with Cheshire East Council's Citizens' Panel (Influence Cheshire East) bore extremely positive results, with satisfaction with the waste collection service overall up to 90%, up from 69% in 2008. Results for satisfaction with refuse collection and doorstep recycling are also similarly high and also up since 2008. This is also reflected in the increased number of compliments received by the service in 2015-16.
Highways Operations	No change Slow response/fix to street lights reports. Lack of response to highways reports. Unhappy with cases being closed with no action or explanation. Unhappy with the information available on the online: Report it, track it" facility.	Reduced Highway Investment Programme (HIP) funding has limited the ability of the Highway Service to continue improvement of the overall network condition but this has been offset by an improved communication strategy and more efficient practices, which have prevented an increase in complaints.
Council Tax, Business Rates and Billing	+15% Unhappy with recovery action taken	Whilst complaints for this area remain below the national average, the increase is

Frequent Complaints

Appendix 2

Service Area	Percentage change from 2014/15 and most frequent cause for complaint	Comments from Services
	(including bailiffs). Unhappy with account processing, e.g. application of exemptions, details not being updated.	acknowledged. There were an additional 11 complaints in respect of the 80,000 recovery notices issued. The wording of these notices is continuing to be reviewed in order to make them as clear as possible for customers to understand and act upon. The other area of increase relates to discounts. A review of single person discounts was undertaken during 15-16 which caused a small number of residents to question the reason and method. It is encouraging that there has been a reduction in complaints relating to staff and in respect of response to telephone enquiries.
Development Management	-7% Lack of contact/response from Officers. Dissatisfaction with Officers' recommendations and decisions. Applicants unhappy with the time taken to determine applications.	2015/16 was another challenging year for Development Management with continued high levels of planning applications and planning appeals. Efforts to recruit replacement staff were not successful which resulted in continued high staff caseloads. Improved customer communication support helped to reverse the trend of increased complaints during the last couple of years. Amendments to the recruitment and retention offer for Development Management staff have been put in place, which should help to deliver further improvements.
Adults Social Care	+13% Charging – changes to charging policy resulted in a small number of complaints; there were a number of challenges to the local authority decision to take an individual's	There has been an increase in complaints and in compliments. There was a public consultation exercise and a comprehensive communication programme about the changes to charges and individual issues were addressed as they arose; the LGO has not yet found fault with the local authority's processes on decisions on the issue of Deprivation of Assets; administrative errors were quickly

Frequent Complaints

Appendix 2

Service Area	Percentage change from 2014/15 and most frequent cause for complaint	Comments from Services
	house into account as part of the financial assessment; an IT problem resulted in some administrative errors. Communication – delays in responding to requests for assistance and breakdown of communication between services. Care Plans – concerns about whether a care plan is sufficient and about some gaps in service provision.	rectified. Significant efforts are being made to reduce delays where these are occurring and to recognise the importance of communication between partners. There is an ongoing need for dialogue between assessors and users/ carers as part of the assessment and support planning process; it is recognised that there are some pressures on service capacity which are actively being addressed.
Children's Social Care	+6% Inaccuracies and delays in minutes, reports and assessments. Some minutes and assessments not received. Lack of information and updates. Lack of notice about meetings. Telephone messages not returned. Lack of written correspondence.	Even though there was a marginal increase in complaints during 2015/16, there was also an overall increase in referrals and assessment of children and families in need (an additional 700) and so the percentage of complaints to referrals actually reduced from 3.2% in 2014/15 to 2.75% in 2015/16. Overall, Children's Social Care received 3790 referrals and conducted 4200 assessments, with only 104 of these resulting in a complaint. Nevertheless, there are recurring themes and the service is continuing to work to address these

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT & GOVERNANCE COMMITTEE

Date of Meeting: 29th September, 2016
Report of: Compliance and Customer Relations Manager
Title: Compliance with the Regulation of Investigatory Powers Act (2000) (RIPA) – Report from the recent inspection by the Office of Surveillance Commissioners
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

- 1.1 The Regulation of Investigatory Powers Act 2000 (RIPA) provides a regulatory framework to enable public authorities to obtain information through the use of certain covert investigatory techniques. A report was brought to Audit & Governance Committee on 17th March 2016, outlining how the Council complies with RIPA and highlighting the forthcoming inspection by the Office of Surveillance Commissioners on 23rd May 2016. The inspection has now taken place and the Inspection Report received; this paper outlines the Inspector's findings and recommendations.

2.0 Recommendation

- 2.1 That the Committee notes the findings from the Inspection Report.

3.0 Reasons for Recommendation

- 3.1 In order to form an opinion on the Council's compliance with this legislation and to gain the protection afforded by compliance, Audit & Governance Committee needs to gain assurance that there are effective arrangements in place.

4.0 Wards Affected

- 4.1 All wards.

5.0 Local Ward Members

- 5.1 Not applicable.

6.0 Policy Implications

- 6.1 Using RIPA powers can conflict with an individual's human rights and so it is imperative that, when investigating alleged wrongdoing, certain conditions are met in each case in order that successful prosecutions can be made. By following the

authorisation procedures set out in RIPA legislation, officers can demonstrate that any surveillance is necessary for a purpose permitted by the Human Rights Act 1998 and that it is a proportionate measure to take, given all the circumstances.

7.0 Financial Implications

- 7.1 Failure to comply with the legislation can lead to the Chief Surveillance Officer withdrawing the Council's ability to conduct directed surveillance for a period of time. This would have a detrimental impact on the Council's ability to conduct investigations. Fines may also be imposed if the Council were found to be breaching Human Rights legislation.

8.0 Legal Implications

- 8.1 The Regulation of Investigatory Powers Act 2000 was enacted to consolidate and update a range of law enforcement investigative powers to ensure these powers were fit for purpose, as well as being compliant with the UK's obligations under the European Convention on Human Rights. A number of codes of practice have also been issued under this Act.
- 8.2 The Protection of Freedoms Act 2012 introduced additional safeguards in respect of certain surveillance undertaken by local authorities.
- 8.3 Given the possible infringement of people's human rights when using these powers, it is important that the Council complies fully with the law and its own policy and that it reflects on its use of these powers to ensure it is proportionate at all times.

9.0 Risk Management

- 9.1 The impact on the Council of not complying with the legislation would be significant, as identified above in 7.1.

10.0 Background

- 10.1 The Council was inspected on 23rd May, 2016 and the Inspection Report was received at the beginning of July 2016. The report is very positive about the Council's use of RIPA and the key findings are summarised in Appendix 1. Work is in progress to implement the Inspector's one recommendation.

11.0 Access to information

- 11.1 The background papers relating to this report can be inspected by contacting the report writer:
Sandra Smith
Compliance and Customer Relations Manager
01270 685865
Sandra.smith@cheshireeast.gov.uk

APPENDIX 1

Inspection by the Office of Surveillance Commissioners - 23rd May, 2016

Summary of Findings and Recommendations

Findings

- Policy and guidance documents, including CCTV Procedure Manual, Joint Protocol Agreement with Cheshire Constabulary and training materials provide an extremely helpful policy and guidance regime for practitioners and provide a solid foundation for compliance.
- Good governance – all authorising officers are Directors, there is a nominated Councillor with particular responsibility for oversight of RIPA, detailed annual reports are submitted to the Audit & Governance Committee and the Director of Legal Services, who is the 'senior responsible officer', takes an active role in the strategic oversight of RIPA usage, training and quality assurance.
- Training presentations and the training regime are very good and dynamic. They are useful to practitioners and accurate.
- Authorisations – quality assurance is provided in relation to authorisations and identified staff ensure that timeliness of submissions is maintained throughout the 'life' of an authorisation. Overall standard is much improved and some additional steps were suggested, which will improve standards even further.
- Good policy, training and oversight regime. The members of staff with responsibility for these aspects are most conscientious and engaged with the inspection process in a most positive manner.

Recommendation

- Use of the Internet and Social Networking Sites – most local authorities are increasingly using these media for a variety of reasons. Some staff in areas who would not normally be considered as appropriate for RIPA training/guidance may not always be mindful that such activity may meet the criteria for authorisation as directed surveillance. The Council should consider having appropriate training and guidance for all such staff.

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CHESHIRE EAST COUNCIL

REPORT TO: AUDIT AND GOVERNANCE COMMITTEE

Date of Meeting: 29th September 2016
Report of: Chief Operating Officer
Subject/Title: Treasury Management Annual Report 2015/16
Portfolio Holder: Councillor Peter Groves

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 2015/16 which was considered by Cabinet on 12th July 2016 (Appendix A).

2.0 Decision Requested

- 2.1 To note the Treasury Management Annual Report for 2015/16 as detailed in Appendix A.

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

- 8.1 Contained within the report.

9.0 Legal Implications

- 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

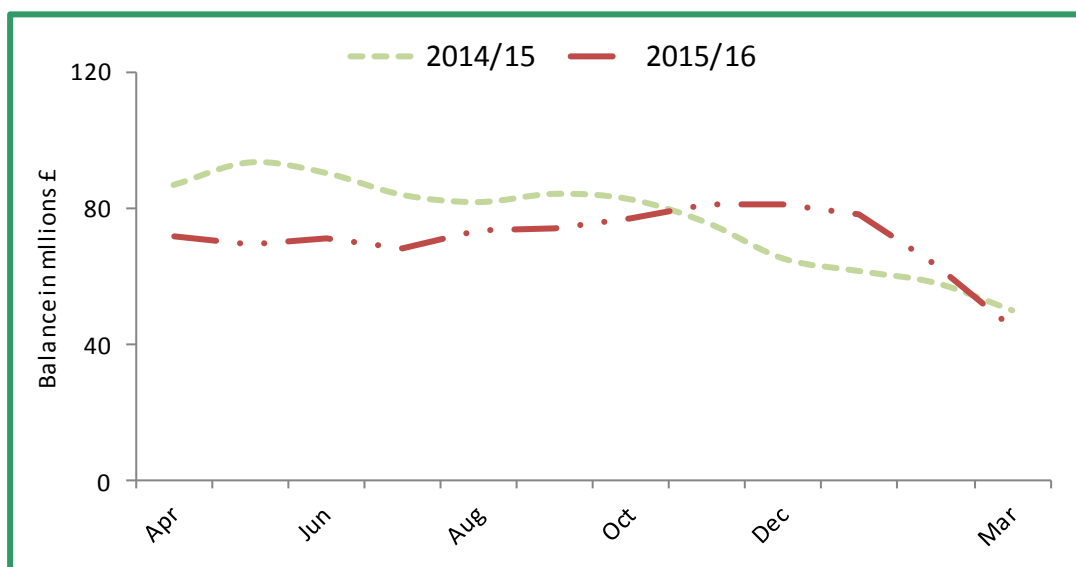
- 10.1 The Council operates its treasury management activity within the approved Treasury Management Code of Practice and associated guidance.
- 10.2 The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the 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 2015/16 was approved by Council on 26th February 2015. 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 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 2015/16 capital programme.
- 11.4 Cash balances remained stable throughout the year. The average lend position (the 'cash balance') for 2015/16 was £71m, (£76.3m in 2014/15).

Chart 1 – Average monthly cash balances available for investment



Source: Cheshire East Finance

- 11.5 Actual capital expenditure totalled £90.6m compared to the revised in-year budget of £122.8m. Some of the planned spending for 2015/16 has been re-profiled into 2016/17 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.
- 11.6 The Council continues to reduce its overall level of external debt as no new external borrowing was undertaken and PWLB loans of £8.5m were repaid in year. Three interest free loans amounting to £3.3m were received from Salix for specific highway projects.
- 11.7 Other key points to note for 2015/16 are:
- The UK Bank Rate was maintained at 0.5% through the year. Short term money market rates also remained at consistently low levels.
 - During 2015/16 the Council invested a further £2.5m in the CCLA property fund bringing the total amount invested up to £7.5m.
 - The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Council, therefore,

increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits. Of the £34.0m invested at 31st March 2016, £19.1m was placed in these type of investments. These tend to be of a medium to longer term nature so these types of investments are limited by liquidity requirements bearing in mind predicted future cash flows and market availability.

11.8 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 2016 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

Treasury Management Annual Report 2015/16



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 2016 was £34.0m (compared to £47.7m as at 31 March 2015) as follows:

	31/03/15	31/03/16
	£m	£m
GOVERNMENT		
Lancashire County Council	-	2.0
Gloucester Police Crime Commissioner	-	2.0
UK BANKS		
Bank of Scotland (Covered Bond)	-	4.0
Close Bros	-	3.0
Barclays Bank	5.2	0.5
Lloyds TSB	2.0	-
FOREIGN BANKS		
Toronto Dominion (Canada)	-	1.5
Deutsche Bank (Germany)	6.0	-
Svenska Handelsbanken (Sweden)	5.0	-
BUILDING SOCIETIES		
National Counties Building Society	-	1.0
Nationwide Building Society	5.0	-
Yorkshire BS (Covered Bond)	5.0	-
Coventry Building Society	1.0	-
Cumberland Building Society	1.0	-
Leeds Building Society	1.0	-
MONEY MARKET FUNDS		
Federated Investors	3.9	5.2
Standard Life (formerly IGNIS)	2.5	3.2
CCLA	-	0.5
Morgan Stanley	3.5	-
Aberdeen Asset (formerly Scottish Widows)	1.6	-
CORPORATE BONDS		
Volkswagon Financial Services	-	3.0
Rolls Royce plc	-	0.6
MANAGED FUNDS		
Property Funds	5.0	7.5
TOTAL	47.7	34.0

There has been a change in the types of investment since last year with more diversification introduced into the portfolio. The property fund, government bodies, covered bonds and most corporate bonds are exempt from the new bank bail-in arrangements.

The net investment income received in 2015/2016 after allowing for fees and interest due to the Growing Places and Local Growth Funds was £0.9m.

The overall average rate of interest on all investments in 2015/16 was 1.09% compared to the benchmark 7 day LIBID average return of 0.45% and our own performance target of 1.00% (Bas Rate + 0.50%). 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 2015/16 was £14m which accounts for 6% of the Council's net revenue budget.

We will continue to monitor performance during 2016/17 through the benchmarking service provided by the Council's Treasury Management Advisors, Arlingclose Ltd.

2. Interest Rates and Prospects for 2015/16

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.

3. 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 7).

4. Investment Strategy for 2015/16

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 Guidance on Local Government

Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles.

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 maximum amount that can be invested with any one organisation is set in the Treasury Management Strategy Report. For named UK banks and credit rated building societies this has been set at a maximum value of £5m (now revised to £6m). These limits apply to the banking group that each bank belongs to.

Limits for each Money Market fund have been set at a maximum value of £10m (now revised to £12m) per fund. There is also a maximum that can be invested in all Money Market Funds at any one time of 50% of the value of all investments (now revised to £50m in total). Due to their smaller size, unrated Building Societies have a limit of £1m each.

Counterparty update

The transposition of two European Union directives into UK legislation placed the burden of rescuing failing EU banks disproportionately onto unsecured institutional investors which include local authorities and pension funds. During the year, all three credit ratings agencies reviewed their ratings to reflect the loss of government support and the potential for loss given default as a result of new bail-in regimes in many countries. Despite reductions in government support, many institutions saw upgrades due to an improvement in their underlying strength and an assessment that the level of loss given default is low.

In December the Bank of England released the results of its latest stress tests on the seven largest UK banks and building societies which showed that the Royal Bank of Scotland and Standard Chartered Bank were the weakest performers. However, the regulator did not require either bank to submit revised capital plans, since both firms had already improved their ratios over the year.

The end of bank bail-outs, the introduction of bail-ins, and the preference being given to large numbers of depositors other than local authorities means that the risks of making unsecured deposits continues to be elevated relative to other investment options. The Authority, therefore, increasingly favoured secured investment options or diversified alternatives such as covered bonds, non-bank investments and pooled funds over unsecured bank and building society deposits. Of the £34.0m invested at 31st March 2016, £19.1m was placed in these type of investments. These tend to be of a medium to longer term nature so these types of investments are limited by liquidity requirements bearing in mind predicted future cash flows and market availability.

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 and the use of call accounts. The Council's cash resources have an annual cycle dipping in March but with known receipts then due in April. The Council has avoided the need for any new long term borrowing by utilising existing cash resources which has led to lower cash balances. In order to maintain quality of investments throughout March, temporary borrowing of £12m was taken in March for repayment in April.

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 continue to have an impact on investment income.

Use of External Fund Managers

During 2015/16 the Council invested a further £2.5m in the CCLA property fund bringing the total amount invested up to £7.5m. This fund is a diversified commercial and industrial property portfolio available to all local authorities. It is suitable where long term funds are available to invest to achieve an attractive income and capital growth over time.

At 31st March 2016 the value (sale price) of the fund was £7,638,711. The fund has steadily increased since the investments were made over and above the costs of investment which is represented by a difference between the purchase price and sale price. Any changes in the underlying capital value of the fund will only be realised when the investments are sold.

The fund pays dividends on a quarterly basis which have averaged 4.97% return on the sum invested during 2015/16. This compares to the rest of the Council's investments, where the average return was 0.67%. The continued use of this fund is being kept under review particularly in light of diminishing cash resources.

CCLA also manage a Public Sector Deposit Fund (PSDF) which the Council uses as an instant access account with returns of around 0.4%.

5. Borrowing strategy

At the end of the year 2015/16 the Council had debt outstanding of £121.2m. Of this £88.9m represented loans from the PWLB, £17m represented loans raised from commercial banks, £12m represented temporary borrowing repaid in April 2016 whilst £3.3m represents interest free loans from Salix repayable within the next 4 years.

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.

6. Economic events of 2015/16

Growth, Inflation, Employment: The UK economy slowed in 2015 with GDP growth falling to 2.3% from a robust 3.0% the year before. CPI inflation hovered around 0.0% through 2015 with deflationary spells in April, September and October. The prolonged spell of low inflation was attributed to the continued collapse in the price of oil from \$67 a barrel in May 2015 to just under \$28 a barrel in January 2016, the appreciation of sterling since 2013 pushing down import prices and weaker than anticipated wage growth resulting in subdued unit labour costs. CPI picked up to 0.3% year/year in February, but this was still well below the Bank of England's 2% inflation target. The labour market continued to improve through 2015 and in Q1 2016, the latest figures (Jan 2016) showing the employment rate at 74.1% (the highest rate since comparable records began in 1971) and the unemployment rate at a 12 year low of 5.1%. Wage growth has however remained modest at around 2.2% excluding bonuses, but after a long period of negative real wage growth (i.e. after inflation) real earnings were positive and growing at their fastest rate in eight years, boosting consumers' spending power.

Global influences: The slowdown in the Chinese economy became the largest threat to the South East Asian region, particularly on economies with a large trade dependency on China and also to prospects for global growth as a whole. The effect of the Chinese authorities' intervention in their currency and equity markets was temporary and led to high market volatility as a consequence. There were falls in prices of equities and risky assets and a widening in corporate credit spreads. As the global economy entered 2016 there was high uncertainty about growth, the outcome of the US presidential election and the consequences of June's referendum on whether the UK is to remain in the EU. Between February and March 2016 sterling had depreciated by around 3%, a significant proportion of the decline reflecting the uncertainty surrounding the referendum result.

UK Monetary Policy: The Bank of England's MPC (Monetary Policy Committee) made no change to policy, maintaining the Bank Rate at 0.5% (in March it entered its eighth year at 0.5%) and asset purchases (Quantitative Easing) at £375bn. In its *Inflation Reports* and monthly monetary policy meeting minutes, the Bank was at pains to stress and reiterate that when interest rates do begin to rise they were expected to do so more gradually and to a lower level than in recent cycles.

Improvement in household spending, business fixed investment, a strong housing sector and solid employment gains in the US allowed the Federal Reserve to raise rates in December 2015 for the first time in nine years to take the new Federal funds range to 0.25%-0.50%. Despite signalling four further rate hikes in 2016, the Fed chose not to increase rates further in Q1 and markets pared back expectations to no more than two further hikes this year.

However central bankers in the Eurozone, Switzerland, Sweden and Japan were forced to take policy rates into negative territory. The European Central Bank also announced a range of measures to inject sustained economic recovery and boost domestic inflation which included an increase in asset purchases (Quantitative Easing).

Market reaction: From June 2015 gilt yields were driven lower by the a weakening in Chinese growth, the knock-on effects of the fall in its stock market, the continuing fall in the price of oil and commodities and acceptance of diminishing effectiveness of central bankers' unconventional policy actions. Added to this was the heightened uncertainty surrounding the outcome of the UK referendum on its continued membership of the EU as well as the US presidential elections which culminated in significant volatility in equities and corporate bond yields.

7. Prudential Indicators 2015/16

The Council can confirm that it has complied with its Prudential Indicators for 2015/16, approved on 25th February 2015 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 2015/16. None of the Prudential Indicators have been breached and a prudent approach has been taking in relation to investment activity with priority being given to security and liquidity over yield.

Annex 1**Prudential Indicators 2015/16 and revisions to 2016/17 – 2018/19****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 2015/16, 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	2015/2016	2016/2017	2017/2018	2018/19	Future years
	Actual £m	Estimate £m	Estimate £m	Estimate £m	Estimate £m
Total	90.6	201.2	138.8	93.5	72.9

Source: Cheshire East Finance

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

Capital Financing	2015/2016	2016/2017	2017/2018	2018/19	Future years
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital receipts	18.4	23.0	24.0	20.0	20.0
Government Grants	27.9	53.5	55.6	69.7	17.5
External Contributions	8.6	9.9	12.5	3.7	35.1
Revenue Contributions	2.1	1.9	0.0	0.0	0.0
Total					
Financing	57.0	88.3	92.1	93.5	72.6
Prudential Borrowing	33.6	112.9	46.7	0.0	0.3
Total					
Funding	33.6	112.9	46.7	0.0	0.3
Total					
Financing and Funding	90.6	201.2	138.8	93.5	72.9

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	2015/2016	2016/2017	2017/2018	2018/2019
	Actual	Estimate	Estimate	Estimate
	%	%	%	%
Total	5.68	5.25	5.54	5.83

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 31/03/2016	£m
Borrowing	121
Other Long-term Liabilities	41
Total	162

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 Impact of Capital Investment Decisions	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate
	£	£	£
Band D Council Tax	23.51	26.72	34.63

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 cash flow 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.

	2015/2016 Actual £m	2016/2017 Estimate £m	2017/2018 Estimate £m	2018/2019 Estimate £m
Authorised Limit for Borrowing	265	290	355	425
Authorised Limit for Other Long-Term Liabilities	30	39	38	36
Authorised Limit for External Debt	295	329	393	461
Operational Boundary for Borrowing	255	280	345	415
Operational Boundary for Other Long- Term Liabilities	30	28	27	25
Operational Boundary for External Debt	285	308	372	440

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

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

	Existing level (or Benchmark level) at 31/03/2016	2015/2016 Approved	2015/2016 Revised	2016/2017 Estimate	2017/2018 Estimate	2018/2019 Estimate
		%	%	%	%	%
Upper Limit for Fixed Interest Rate Exposure	100%	100%	100%	100%	100%	100%
Upper Limit for Variable Interest Rate Exposure	0%	100%	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 are 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 2016/17.

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

Audit and Governance Committee

Date of Meeting: 29 September 2016
Report of: Director of Legal Services
Subject/Title: Members' Code of Conduct: Standards Report
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

- 1.1 The purpose of the report is to advise the Committee of the number of complaints received under the code of conduct for Members which have been considered by the Director of Legal Services (in his capacity as the authority's Monitoring Officer) and the Independent Person. The report also notes the outcome, where complaints have been concluded.
- 1.2 The report previously considered by the Committee contained details of complaints received up to and including 29 February 2016. This report covers the period 1 March 2016 to the end of August 2016.

2.0 Recommendation

- 2.1 To note the report.

3.0 Reasons for Recommendation

- 3.1 To assist the Audit and Governance Committee in fulfilling its responsibility for promoting high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members of the Council.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 The Localism Act places a statutory duty upon the Council to promote and maintain high standards of conduct amongst its own elected members, co-opted members and town and parish council members within the borough. Strong ethical governance is critical to good corporate governance of the authority and also supports the Council's decision-making processes across the organisation.

7.0 Financial Implications

7.1 None identified.

8.0 Legal Implications

8.1 The Localism Act 2011 requires the Council to have a Code of Conduct which sets out the standards expected of members whenever they act in their official capacity. The Council must also have in place a suitable procedure at a local level to investigate and determine allegations against members.

8.2 The Code of Conduct also covers co-opted members.

8.3 The Council is also responsible for having arrangements in place to investigate and determine allegations against town and parish councillors.

9.0 Risk Management

9.1 If the Council fails to adopt and maintain a Code of Conduct and process for the investigation of complaints which is fit for purpose, robust and transparent then there are risks to the Council's reputation and also to the integrity of its corporate governance and decision-making processes.

10.0 Background

10.1 Cheshire East Council adopted a new Members' Code of Conduct in July 2012. It is the responsibility of the Audit and Governance Committee to monitor this Code.

10.2 The report sets out details of the complaints received under the Members' Code of Conduct for the period 1 March 2016 to 31 August 2016 and, where concluded, the outcome.

10.3 Of the complaints received before 1 March 2016 and reported to the last meeting; two parish council complaints remains ongoing; both of which were referred for external investigation.

11.0 Summary of Complaints received

11.1 Between 1 March 2016 and 31 August 2016, six complaints were received by the Monitoring Officer. One complaint was against a member of Cheshire East Council, whilst four complaints were against members of a town or parish council within the borough. The sixth complaint concerned a member who is both a Borough and Town Councillor but, as the allegation concerned a parish matter, it has been treated as a parish complaint for the purposes of this report.

11.2 The complaints can be broken down further as follows.

12.0 Complaints made against Cheshire East Councillors

12.1 In the single complaint received between March and August 2016, the following paragraphs of the Cheshire East Council Members' Code of Conduct were identified as allegedly having been breached:

Part A: General obligations paragraph

1	Selflessness	0
2	Integrity	1
3	objectivity	0
4	Accountability	1
5	openness (a) transparency	1
	openness (b) disclosure	0
6	honesty (a) declaring interests	1
	honesty (b) use of resources	0
7	respect for others (a) courtesy	1
	respect for others (b) equality	1
	respect for others (c) impartiality	0
	respect for others (d) bullying	1
8	leadership	1
9	gifts and hospitality	0

Part B: registering and declaring pecuniary and non pecuniary interest

Failure to register	0
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[Note: the numbers may not tally with the number of complaints received as a complainant may identify none or more than one paragraph in his/her complaint.]

12.3 The decision of the Monitoring Officer was as follows:

Complaints awaiting initial assessment	0
No further action to be taken	1
Referred to the Monitoring Officer for informal resolution	0
Referred to Group Leader for informal action	0
To be referred by the Monitoring Officer for external investigation	0
Referred to the Police or other regulatory agency	0

13.0 Complaints made against Town/Parish Councillors

- 13.1 Of the five complaints received between March and August 2016, the following paragraphs of the relevant town/parish council code of conduct were identified as allegedly having been breached:

Part A: General obligations paragraph

1	selflessness	0
2	integrity	1
3	objectivity	2
4	accountability	3
5	openness (a) transparency	1
	openness (b) disclosure	0
6	honesty (a) declaring interests	1
	honesty (b) use of resources	1
7	respect for others (a) courtesy	2
	respect for others (b) equality	1
	respect for others (c) impartiality	1
	respect for others (d) bullying	2
8	leadership	0
9	gifts and hospitality	0

Part B: registering and declaring pecuniary and non pecuniary interest

Failure to register	0
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[Note: the numbers may not tally to the number of complaints received as a complainant may identify none or more than one paragraph in his/her complaint.]

- 13.2 Of the cases received, the decision of the Monitoring Officer was as follows:

Complaints awaiting initial assessment	1
No further action to be taken	4
Referred to the Monitoring Officer for informal resolution	0
Referred to Group Leader for informal action	0
To be referred by the Monitoring Officer for external investigation	0
Referred to the Police or other regulatory agency	0

14.0 Administering the process

- 14.1 The current procedure for dealing with standards complaints has significantly increased the speed at which complaints are dealt with.

- 14.2 Notwithstanding this, the Monitoring Officer continues to receive a number of complaints. Whilst the figures for the last two reports were comparable (fourteen and fifteen respectively), the period March – August 2016 has seen a significant drop to six, although Town/Parish matters continue to make up the majority of the complaints received.
- 14.3 Dealing with these complaints and often the preliminary advice and interaction with complainants before a formal complaint is received, takes a significant number of officer hours. The process itself by its very nature is detailed and requires a clear record of all decisions and complaints to be maintained.

15.0 Access to information

- 15.1 There are no background papers relating to this report.

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CHESHIRE EAST COUNCIL

Audit and Governance Committee

Date of Meeting:	29 September 2016
Report of:	Director of Legal Services and Monitoring Officer
Subject/Title:	Localism Act 2011 – General Dispensations

1.0 Report Summary

- 1.1 This report recommends that the Committee renews, for a period of four years, a number of general dispensations under the Localism Act 2011, as previously approved by the Committee in September 2012.

2.0 Recommendations

- 2.1 That the Committee approve for the four year period to 28 September 2020 the general dispensations for all elected and co-opted Members of Cheshire East Council as set out at paragraph 4.4 of the report.

3.0 Reasons for Recommendations

- 3.1 To renew general dispensations approved by the Committee in 2012 in the interest of good governance and the effective conduct of public affairs.

4.0 Background and Options

- 4.1 The Localism Act 2011 ('the Act') made significant changes to the Standards regime. Under the Act the Council has a statutory duty to promote and maintain high standards of conduct by both its Elected Members and co-opted Members. The Council must also adopt a Code of Conduct setting out the conduct expected of elected and co-opted Members whenever they act in their official capacity as a Member. The Council adopted the Member Code of Conduct ('the Code of Conduct') compliant with the Act in 2012. The Code of Conduct can be found on the authority's website at:

http://www.cheshireeast.gov.uk/council_and_democracy/your_council/constitution.aspx

- 4.2 The Act prevents Members from participating in any business of the Council where they have a Disclosable Pecuniary Interest, unless they have sought a dispensation under Section 33 of the Act. Applications must be made in writing and dispensations may be sought for a period of up to four years. Dispensations may be sought on the following grounds:

- That so many Members of the decision making body have a disclosable pecuniary interest in a matter that the business of the meeting would be impeded;
- Without a dispensation the representation of different political groups on the body would be so upset as to alter the outcome of any vote;
- The dispensation is in the interests of persons living in the area;
- No Member of Cabinet would be able to participate on the matter without a dispensation;
- It is otherwise appropriate to grant a dispensation.

4.3 At the Council meeting on 19 July 2012 the Terms of Reference of the Audit and Governance Committee were amended to include: '*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.*'

4.4 On 27 September 2012 the Committee considered a report of the former Borough Solicitor and Monitoring Officer entitled 'Standards Issues and Planning Protocol.' The report recommended (amongst other things) that Members approve the following general dispensations to speak and vote on the following items to all Cheshire East Council Members and co-opted Members for a period of four years:

- Any allowance, payment or indemnity given to Members;
- Any Ceremonial Honours given to Members;
- Statutory sick pay under Part X1 of the Social Security Contributions and Benefits Act 1992 where they were in receipt of or entitled to receive such pay;
- Setting the Council Tax or a precept under the Local Government and Finance Act 1992 (or any subsequent legislation);
- Setting a Local Council Tax Reduction Scheme or Local scheme for the payment of business rates (Including eligibility for rebates and reductions) for the purposes of the Local Government Finance Act 2012 (or any subsequent legislation); and
- School Meals or School Transport or Travelling expenses where the Member is a parent/guardian of a child in full time education or a parent governor (unless the matter relates specifically to the school the child attends).

- 4.5 This recommendation was approved and these general dispensations expired on 26 September 2016. It is now recommended that the Committee renew the above general dispensations for a further period of four years, expiring on 28 September 2020.

5. Wards Affected and Local Ward Members

- 5.1. All

6. Implications of Recommendation

6.1. Policy Implications

- 6.1.1. None

6.2. Legal Implications

- 6.2.1. These are set out in the body of this report.

6.3. Financial Implications

- 6.3.1. None

6.4. Human Resources Implications

- 6.4.1. None

6.5. Equality Implications

- 6.5.1. None

6.6. Rural Community Implications

- 6.6.1. None

6.7. Public Health Implications

- 6.7.1. None

7. Risk Management

- 7.1. Not putting in place the recommended general dispensations would mean that every Member would need to apply for a personal dispensation when the relevant matters arose. This would not be an efficient use of the Council's resources or in the public interest.

8. Background Papers

8.1. The Member Code of Conduct.

9.0 Access to Information

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

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CHESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 29th September 2016
Report of: Corporate Manager Governance and Audit
Title: Work Plan 2016/17
Portfolio Holder: Councillor Rachel Bailey

1.0 Report Summary

- 1.1 The report presents an updated Work Plan (Appendix A) to the Committee for consideration.

2.0 Recommendation

- 2.1 That the Committee:
- consider the Work Plan and determine any required amendments;
 - note that the plan will be brought back to the Committee throughout the year for further development and approval.

3.0 Reasons for Recommendations

- 3.1 The Audit and Governance Committee has a key role in overseeing and assessing the Council's risk management, control and corporate governance arrangements. It advises the Council on the adequacy and effectiveness of these arrangements. A forward looking programme of meetings and agenda items is necessary to enable the Committee to fulfil 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 (Authorised by the Chief Operating Officer)

- 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 (Authorised by the Head of Legal Services)

- 8.1 The Work Plan for 2016/17 takes account of the requirements of the Accounts and Audit Regulations 2015.

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

10.0 Background and Options

- 10.1 Aspects of the Audit and Governance Committee agenda are determined by statutory requirements such as the Statement of Accounts and Annual Governance Statement. Outside these agenda items, the Committee should aim to manage its agenda according to its assurance needs to fulfil its terms of reference. The Committee is asked to consider the contents of the Work Plan (Appendix A) and establish any amendments that will enable it to meet its responsibilities.

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

- the inclusion of each item on its agenda results in added value; as
 - 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; as
 - an audit committee should operate at a 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 The Work Plan will be re-submitted to the Committee 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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Designation: Principal Auditors

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Work Plan 2016/17

		Terms of Reference - May 2014	
Agenda Item	Description	No	Detail
29th September 2016			
External Audit – Audit Findings Report 2015/16	Summary of findings from the 2015/16 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.
		31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance
2015/16 Audit Findings and Action Plan	This report sets out the management response to the 2015/16 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.
Audited Statement of Accounts 2015/16	Approval of the Audited Statement of Accounts for 2015/16	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.
Annual Governance Statement 2015/16	Annual Governance Statement 2015/16 for approval alongside the financial statements.	6	To review the Council's corporate governance arrangements against the Good Governance

Work Plan 2016/17

		7	Framework and consider annual governance reports and assurances. 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 of the Audit and Governance Committee	Annual Report of the Chair of the Audit & Governance Committee to Council.	40	To report to full Council on a regular basis on the committee's performance in relation to the terms of reference.
		39	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 <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</i>

Work Plan 2016/17

			<i>governance'</i>
Report on Customer Feedback – Complaints, Compliments and referrals to Local Government Ombudsman 2015/2016	Summary of formal feedback received from customers during 2015/16 together with a summary of cases dealt with by the Local Government Ombudsman (LGO) about Cheshire East Council for 2015/16.	42	To seek assurance that customer complaint arrangements are robust.
Inspection of the Regulation of Investigatory Powers Act (2000) (RIPA) arrangements	This report provides an update on how the Council has complied with RIPA legislation during 2016/17.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
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.
Members' Code of Conduct: Standards Report	The report gives details of the numbers and outcomes of complaints under the Code of Conduct for Members on the period being reported on.	5	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).
Appointment of an Independent Member to the Audit and Governance Committee.	Update on the progress towards the recruitment of the Independent Audit and Governance Committee Member.		The co-option of an independent member is intended to bring additional knowledge and expertise to the Committee and reinforce its political neutrality and independence.
Localism Act 2011 – General Dispensations	This report recommends that the Committee renews, for a period of four years, a number of general dispensations under the Localism Act	45	The Committee is responsible for the Council's standards arrangements which seek to: 1.promote high standards of ethical behaviour

Work Plan 2016/17

	2011, as previously approved by the Committee in September 2012.		<p>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);</p> <p>2. ensure that Members receive advice and as appropriate on the Members Code of Conduct; and</p> <p>3. grant 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.</p>
Work Plan.	Forward looking programme of meetings and agenda items 2016/17 to ensure comprehensive coverage of the Committee's responsibilities.	All	
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee. Approved WARNs will also be presented as a Part 2 item.		As requested by Members at December 2015 meeting
8th December 2016			
Grant Thornton - Annual Audit Letter 2015/16	Summary of the External Audit findings from 2015/16 audit. The letter will also confirm the final audit fee.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Certification Report	The report provides a summary of the key findings that have been identified during the External Auditors' certification process for 2015/16 claims and returns.	31	To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
Draft Treasury	Update on the contents of the Council's Treasury	17	To review and monitor the Council's Treasury

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Management Strategy and MRP Statement	Management Strategy for 2016/17. The CIPFA Treasury Management Code of Practice requires all local authorities to make arrangements for the scrutiny of treasury management. This responsibility has been nominated to the Audit & Governance Committee.		Management arrangements in accordance with the CIPFA Treasury Management Code of Practice.
Risk Management Policy Review.	A report on the progress on the implementation against the Risk Management Strategy and review of the Corporate Risk Register.	10	To monitor the effective development and operation of risk management in the council.
Annual Governance Statement (AGS) Update	Assurance Framework that underpins the Council's AGS & update on actions to improve governance arrangements and respond to emerging issues.	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
Internal Audit Interim Report 2016/17 and Internal Audit Charter	Progress report against the Internal Audit Plan 2016/16. Review of Internal Audit Charter in accordance with Public Sector Internal Audit Standards.	12 18 21 23	To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions, including calling managers to explain lack of progress. To approve the Internal Audit Charter. To approve significant interim changes to the risk-based Internal Audit Plan and resource requirements. 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:

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		25	<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> <p>To consider summaries of specific internal audit reports as requested.</p>
Governance Update for the Council's Alternative Service Delivery Vehicles.	The report provides information on the governance arrangements within the Councils ASDV's	25	To review the Council's governance arrangements for ASDV's.
Review of the Code of Corporate Governance	<p>In response to the CIPFA/SOLACE review of the <i>Framework: Delivering Good Governance in Local Government</i> to ensure that it remains 'fit for purpose'.</p> <p>The finalised Framework and new guidance was published April 16r, with current expectations that organisations would produce their 16/17 AGS with</p>	6	To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.

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	reference to the new guidance.		
WARNS	Report to update Committee on the quantity and reasons for WARNs approved since the last Committee. Approved WARNs will also be presented as a Part 2 item.		As requested by Members at December 2015 meeting
Work Plan.	Forward looking programme of meetings and agenda items 2016/17 to ensure comprehensive coverage of the Committee's responsibilities.	All	
<i>It should be noted that the following items will be presented to the Committee but have not, as yet, been allocated to a specific agenda</i>			
Review of the Council's procurement arrangements	An audit of the Council's procurement arrangements will be resumed following the completion of the current police investigation. The findings of this audit will be shared with the Committee.	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.
Fraud Update	Presentation on the latest national and local situation with regards to countering fraud and corruption.	13	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption
		14	To make recommendations to the Executive on the Council's arrangements for deterring, preventing, detecting and investigating fraud.
		15	To monitor the counter fraud strategy, actions and resources
Value for Money Arrangements.	Assurance with regard to both the arrangements to ensure value for money and the progress in achieving value for money.	8	To consider the Council's arrangements to secure value for money and to review and scrutinise assurance and assessments on the effectiveness of these arrangements.

Work Plan 2016/17

			Subject to an exercise to benchmark what assurance other Audit Committees receive. Future reporting requirements will also be determined in the context of what other Committees of the Council are doing.
Work Programme for Member/Officer Working Groups	<p>Forward looking programme of meetings and agenda items to:</p> <ul style="list-style-type: none"> • enable individual Members to become more involved in specific areas of the Committee's work as a means of developing in-depth knowledge and expertise • address some of the more time consuming aspects of the Committee's work. • ensure that the Committee continues to work effectively and fulfils its purpose. 		At the request of Members in June 2016
Feedback from Member/Officer Working Groups	The outcome of Member/Officer Groups work which, where possible, will be fed back to the Committee during the relevant agenda item. However, some of the feedback may, at the request of the Committee, require specific reports.		At the request of Members in June 2016
Emerging Issues Report.	A report from the External Auditor highlighting emerging national issues and developments which might be of relevance to Cheshire East.	31	To consider the external auditor's annual report, relevant reports, and the report to those charged with governance.
Business Continuity Plans Report.	A report on the progress of the implementation of the Council's Business Continuity arrangements.	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.

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			At the request of Members in June 2016.
Report on the responses to the staff survey.	A report summarising the responses to the staff survey.	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. At the request of Members in June 2016.
Audit and Governance Committee Self-Assessment	Progress against the 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.
Impact on the Council of the negotiations to leave the European Union (EU).	Assurance on the Council's plans and arrangements in response to the negotiations to leave the EU, with the formation of the new government, subsequent national and local policies and potential financial consequences.	11	To monitor progress in addressing risk related issues reported to the Committee.

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CESHIRE EAST COUNCIL

REPORT TO: Audit and Governance Committee

Date of meeting: 29th September 2016
Report of: Chief Operating Officer
Title: Waivers and Non Adherences (WARNs)
Portfolio Holder: Councillor Paul Findlow

1.0 Report Summary

1.1 The purpose of the report is to:

- i) update the Audit and Governance Committee on the quantity and reasons for Waiver and Non Adherences (WARNs) which have been approved between 1st June 2016 to 31st August 2016.
- ii) present the approved WARNs to the committee for review.

2.0 Recommendation

2.1 That the Committee:

- i) note the quantity and reason of WARNs
- ii) note the approved WARNs between 1st June 2016 and 31st August 2016

3.0 Reasons for Recommendation

3.1 The Audit and Governance Committee has a key role in overseeing governance arrangements and ensuring the Council has appropriate policies and mechanisms to safeguard resources in place.

3.2 It is a requirement of the Audit and Governance Committee to review all approved WARNs from June to August 2016.

The WARN process forms part of our Contract Procedure Rules (CPRs), which are intended to promote good Procurement and Commissioning practice, transparency and clear public accountability. The CPRs are designed to deliver open and transparent procurement processes and ensures compliance with relevant Public Procurement Legislation which in turn leads to better value for money and gives confidence to all concerned that the Council is fulfilling its fiduciary responsibilities. This process is seen as sector leading as very few Authorities have procedures in place with the robustness that is provided from our approach.

4.0 Wards Affected

4.1 All wards.

5.0 Local Wards Affected

5.1 Not applicable.

6.0 Policy Implications

6.1 Not applicable.

7.0 Financial Implications (Authorised by the Chief Operating Officer)

7.1 As per the Council's Constitution (Finance Procedure Rule B25), Management Group Board are responsible for working within their respective budget limits and to utilise resources allocated to them, and further to allocate resources in the most efficient, effective and economic way.

7.2 Along with comments from Procurement and Legal Officers, Finance Officer's are invited to make comments in respect of each WARN, to help ensure Finance Procedure Rules are adhered to in this regard (e.g. that the relevant Service has identified sufficient existing budget to cover the proposal; and also that the Service has considered how to achieve best value for money via this particular recommended course of action). Finance Officers will also advise if other actions are required (e.g. transfer of budget from one area to another, to meet any further expenditure requirements) again to comply with and utilise the provisions in the Finance Procedure Rules.

8.0 Legal Implications (Authorised by the Director of Legal Services)

8.1 All employees must ensure that they use any Council or other public funds entrusted to them through their job role in a responsible and lawful manner.

8.2 Employees must also seek to ensure value for money and take care to avoid the risk of legal challenge to the Council in relation to the use of its financial resources. The Council's Officer Delegations, Finance and Contract Procedure Rules and Operating Procedures must, therefore, be followed at all times. This report sets out compliance with Contract Procedure Rules.

9.0 Risk Assessment

9.1 Item 18 on the Council's Corporate Risk Register considers Governance. The focus is the risk that processes are not complied with, which increases the likelihood of legal challenge causing significant financial and reputational risk to the Council. This includes procurement processes.

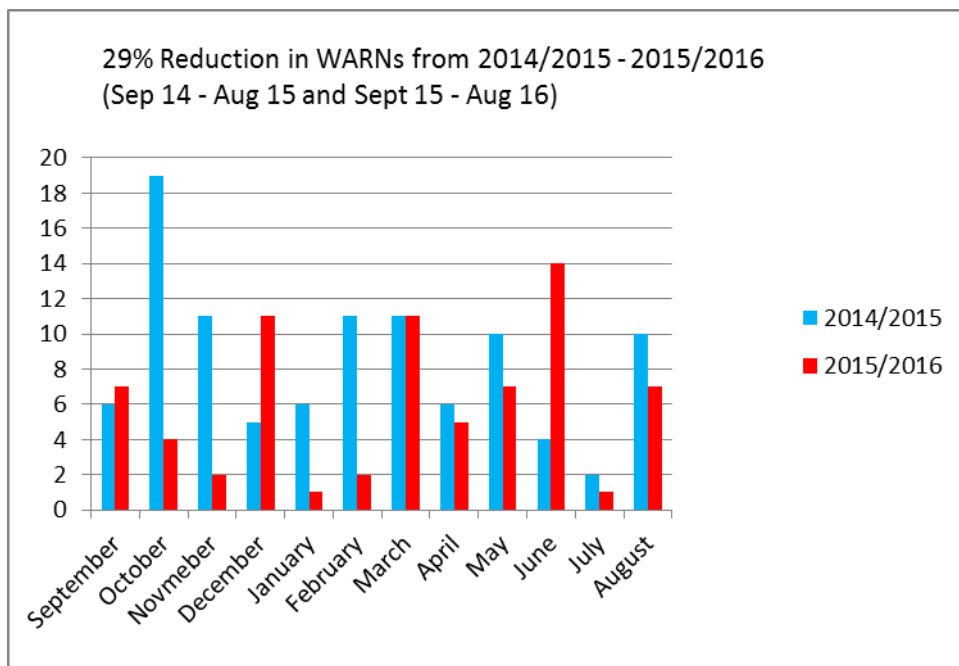
- 9.2 The corporate risk is owned by the Chief Operating Officer and at the last review was rated as a nine (where 0 is the lowest rating and 16 is the maximum level).

10.0 Background

- 10.1 All WARNs approved in the period between the Audit and Governance Committee will be presented to the following Committee. However the cut off period for reporting the WARNs will be the end of the month previous to writing the report. The cut off period for this report is the 31st August 2016.
- 10.2 The number of WARNs being presented to the September Audit and Governance Committee is 22, 10 waivers to the Contract Procedure Rules and 12 non adherence.
- 10.3 All WARNs will be presented to the Audit and Governance Committee without any information being redacted. However they will be presented in part 2 of the Committee as they may contain commercially sensitive information or Officer details below the salary grade Cheshire East release under FOI. The main report will be will be presented in part 1.
- 10.4 All WARNs are analysed and presented to the Procurement Board where trends are identified and solutions put in place for repeat WARNs in category areas.
- 10.6 The WARN process records the following;
- Waivers to the Contract Procedure Rules – These are agreed waivers in accordance with 5.2.1 of the Contract Procedure Rules.
 - Non Adherence to the Contract Procedure Rules – This is a breach of the Contract Procedure Rules in accordance with 5.3.1.

- 10.7 A summary of WARN's for the period 2014-2015 and 2015-2016 is set out below:

WARNs	2014-2015	2015-2016	2016-17 Apr 16 – Aug 16
Non Adherence to CPRs	20	25	16
Waiver to the CPR's	62	45	18
Grand Total	82	70	34



The number of WARNs for the period September 2015 to August 2016 has reduced by 29% compared to the same period the previous year. This is due to forward planning using the contracts register to drive procurement activity.

The number of WARNs per service area and the reasons is detailed below.

April 2016 – August 2016 WARNs Per Service

Row Labels	Waiver to Requirements of Competition	Non Adherence to CPRs	Grand Total
Adults	3	4	7
Strategic Economic Planning	0	1	1
Public Rights of Way	1	0	1
Democratic Services	0	1	1
Children's	3	2	5
Safer and Stronger Communities	1	1	2
ICT Services	5	0	5
Planning	1	1	2
Public Health	1	2	3
Tatton Park	1	1	2
HR Strategy	0	2	2
Life Long Learning	1	0	1
Assets	0	1	1
Legal Services	1	0	1
Grand Total	18	16	34

Code	Description of Category/code
A	Genuine Emergency – which warrant an exception to the requirements
B	Specialist Education or Social Care Requirements
C	Genuine Unique Provider – e.g. from one source or contractor, where no reasonably satisfactory alternative is available.
D	Compatibility with an existing installation and procurement from any other source would be uneconomic given the investment in previous infrastructure
E	In-depth Knowledge, skills and capability of project/services already in existence with consultants/providers carrying out related activity – therefore procuring new consultants/skills would be uneconomic given the investment in previous, related work.
F	No valid tender bids received, therefore direct award can be substantiated
G	Lack of Planning
H	Other – Any other valid general circumstances up to the EU threshold
I	No time to undertake a tendering exercise, therefore extension necessary to avoid non-provision of deliverables
J	Procurement from any other source would be uneconomic at this time
K	Added value being offered by the Provider(s)
L	Extension is best option as highlighted in request form

Row Labels	Non Adherence to CPRs	Waiver to Requirements of Competition	
Adults	4	3	7
G	4	2	6
J		1	1
Strategic & Economic Planning	1	0	1
J	1		1
Public Rights of Way	0	1	1
C		1	1
Democratic Services	1	0	1
G	1		1
Children's	2	3	5
B	2		2
C		1	1
G	2		2
Safer and Stronger Communities	1	1	2
C		1	1
D	1		1
ICT Services	0	5	5
C		1	1
D		2	2
E		1	1
G		1	1
Planning	1	1	2
E		1	1
J	1		1
Public Health	2	1	3
B		1	1
G	2		2
Tatton Park	1	1	1
D		1	1
G	1		1
HR Strategy	2	0	2
C	1		1
G	1		1
Life Long Learning	0	1	1
B		1	1
Assets	1	0	1
E	1		1
Legal Services	0	1	1
E		1	1
Grand Total	16	18	34

10.8 There are currently 17 WARNs in progress, 9 non adherences and 8 waivers. Procurement is actively chasing these WARNs to ensure that they are processed in a timely manner.

10.9 It is anticipated that WARNs will increase during 2016 – 2017 due to the transfer of CoSocius ICT to Cheshire East on the 1st of April 2016. Out of the 17 WARNs referred to above, 7 are currently in progress for ICT Services.

11.0 Access to information

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