CHESHIRE EAST COUNCIL
ANNUAL GOVERNANCE STATEMENT 2010-11

Scope of responsibility

Cheshire East 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. Cheshire East Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

Cheshire East Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at Code of Corporate Governance. This statement explains how Cheshire East Council has complied with the code and also meets the requirements of Regulation 4 (3) of the Accounts and Audit (England) Regulations 2011.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Cheshire East 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 governance framework has been in place at Cheshire East Council for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

Describe the key elements of the systems and processes that comprise the authority's governance arrangements including arrangements for:

Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- The Authority has a Sustainable Community Strategy (SCS), Corporate Plan and Service Plans for each key service area. The SCS, "Ambition for All" sets out a collective vision for Cheshire East and the priority actions which need to be addressed over the next 15 years to achieve that vision.

- The Council's vision and purpose is brought together and communicated via the Council's Corporate Plan. This plan aims to ensure Cheshire East delivers its obligations and wider community leadership role. The Corporate Plan for 2011-14 was approved in February 2011.

- The Annual Report for 2009/10, "One Year On" was published in June 2010 highlighting key achievements in the Council's first year. The publication of the annual financial statements met statutory requirements and an improvement plan following review of the 09/10 closure of accounts has been progressed with regular updates to the Audit and Governance Committee.

- The Budget Report, "Our People, Our Place" sets out the Council's financial position and three year financial targets. Quarterly financial update reports and the final outturn report provide more detailed analysis of financial performance.

- The performance management framework governs how Cheshire East translates priorities into plans, and plans into delivery through setting clear objectives, aligning resources to ensure delivery, and setting robust targets to keep focus on delivering the right outcomes.

- There is an annual communication plan that ensures priorities, finances, achievements, and objectives are communicated to relevant stakeholder groups.

Reviewing the authority's vision and its implications for the authority's governance arrangements

- The Authority's vision and Community Strategy were subject to extensive consultation in spring 2010, resulting in the approval of the strategy in July 2010. The vision has been revisited and remains as "Working Together to

Improve Community Life" The strategy provides a common vision for the Partnerships for Action on Cheshire East (PACE), partner groups and Local Area Partnerships (LAPs).

- Area Plans are at the centre of local area working. Each LAP has an Area Management Group (AMG), who manages the business and develops the Area Plan, based on the guidance of the Area Assemblies, which are open meetings involving the wider community and partners.

- PACE have adopted a Partnership Agreement and all LAP management groups have agreed terms of reference.

- The impact of the Council's vision on the governance arrangements is considered through the Code of Corporate Governance.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Scrutiny Committees and the Audit and Governance Committee hold the Cabinet to account in discharging their functions. The Committees assist and challenge the Council and Cabinet in the development and review of its major plans, policies and strategies and undertake specific reviews of the Council's organisation and service provision with a view to improving service delivery.

- The Corporate Plan has been reviewed and updated, linked closely to the Council's budget. Performance data is included in service plans and informs objective setting and action planning.

- A Value For Money (VFM) Strategy has been developed and agreed by Corporate Management Team and a positive VFM opinion was received by the Audit Commission in the 2009/10 Accounts. Audit Commission and CIPFA benchmarking data has been used to inform budget planning and challenge sessions.

- The Council has a Data Quality Strategy and a new performance management system, CorVu has been implemented in 2010/11 to allow tracking/reporting on key performance data. There is a medium term financial strategy in place and the business planning cycle included extensive external consultation. The Cabinet formally receives integrated reports on performance on a quarterly basis, covering overall performance and financial performance.

- An updated Cheshire East Complaints policy and procedure was implemented in April 2010. Performance data on the time the Council

takes to respond to complaints has been published on a quarterly basis. A new Complaints Management system has been implemented in early 2011. The Council has joined the Local Government Benchmarking Group that provides mystery shopping feedback on a half yearly basis, including comparisons against other local authorities. Regular customer satisfaction surveys will be initiated following the implementation of a new Customer Relationship Management system.

▪ The Council has approved a five year Carbon Management Plan which includes a clear baseline position and targets for improvement. There is a Programme Management Board in place chaired by a member of the Corporate Management Team and clear plans to deliver the priorities and actions identified.

▪ During 2010/11, the new coalition Government has set in place plans to reform local government audit, inspection and monitoring arrangements, including the abolition of the Audit Commission, the Comprehensive Area Assessment and Local Area Agreements. The challenge for Cheshire East is how to respond to the greater freedoms to report and monitor performance. This is kept under regular review.

Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

▪ The Council has adopted a Constitution including descriptions of member and officer roles and responsibilities. Departments maintain registers of delegated decisions by officers. The Constitution is renewed in-year by the Constitution Committee and updated. The Cabinet and individual executive members take decisions which are fully recorded and minuted.

▪ The roles of senior officers, non-executive members, other committees and members generally are set out by the Constitution and Protocols. Senior officers also have contracts of employment. The responsibilities of individual members are not brought together into a single document but are to be found in the various protocols.

▪ The Constitution contains a scheme of delegation to officers and delineates between Council, executive and individual cabinet members regarding their powers. This is reviewed in-year by the Constitution Committee.

▪ The Council has approved a number of refinements to the originally approved Constitution. The Constitution Committee has agreed that a review of the Constitution should take place in order to secure further improvements, specifically in more clearly defining: the responsibilities of

and delegations to Portfolio holders, the responsibilities of and delegations to officers, and Contract Procedure Rules.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- Officers and Members Codes of Conduct are included within the Constitution. The values embedded in the Codes define standards of behaviour expected of Members and Officers and are required to be observed as part of their normal conditions of service. The Codes are communicated to Members and Officers via briefings, training and are available on the Council's intranet and internet.

- The Standards Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring Codes of Conduct for Members and Officers of the Council and also advises the Council on the adoption or revision of the Codes of Conduct for Members and Officers.

Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Constitution contains a range of documents which comprise its governance arrangements. These include the Council's Procedure Rules, Finance and Contract Procedure Rules and Schemes of Delegation. The Constitution is widely available and is currently under review.

- The Council's decision making arrangements are set out in the Constitution and Officers are required to get Legal and Financial professional sign off before reports go to decision making bodies.

- The Council has reviewed and updated its risk management procedures and has a risk management policy. The policy has recently been reviewed and will be formally approved by Cabinet in July/August 2011. All Service Plans include a risk assessment of all operational and strategic risks. All Committee reports for key decisions also require a risk assessment.

- The Council has a Corporate Risk Management Group which meets regularly and is chaired by the Portfolio Holder responsible for risk. The group comprises senior managers from across the Council and is responsible for developing the corporate risk register and ensuring the completeness, accuracy, ongoing review, monitoring and reporting of these risks.

- The review and updating of the Council's risk management procedures is ongoing to further embed risk management Council-wide into the culture of Cheshire East by strengthening departmental risk registers, seeking approval for the role of risk champions and integrating risk management into the new performance management system.

Ensuring the Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on *The Role of the Chief Financial Officer in Local Government (2010)*

- The Chief Financial Officer is professionally qualified, reports directly to the Chief Executive and is a member of the Corporate Management Team, with a status at least equivalent to other members.

- The Chief Financial Officer attends Council, Cabinet and Corporate Management Team to provide direct input on all key decisions and is consulted and signs off financial input to all Committee reports.

- The Chief Financial Officer plays a key role in the business planning process, providing regular updates to Cabinet and Scrutiny Committees on financial scenario and budgetary position, including capital programme and treasury management.

- The local code of governance has been amended in 2010/11 to reflect the additional/expanded governance requirements from the CFO Statement on the Role of the Chief Financial Officer in Local Government (2010).

Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

- The audit function has been undertaken to date by the Audit and Governance Committee (formerly Governance and Constitution Committee). The Committee's role is to help the Council improve by providing effective assurance on the adequacy of its governance arrangements as well as the general control environment.

Ensuring compliance with relevant laws and regulations, internal policies and procedures, and the expenditure is lawful

- The Council has in place, within the Constitution, various procedure rules which set out how budget and policy decisions are made. Officers are required to ensure that compliance with relevant laws and regulations and lawful expenditure is delivered. Reports provide a section for legal implications, and reports cannot go before Cabinet or Council without this being addressed.

- The Council's Statutory Officers have a positive responsibility to report to the Council, in respect of:

  - Co-ordination of functions, staff and management matters – the Chief Executive (Head of Paid Service)
  - Financial administration, probity and propriety – the Director of Finance and Business Services (Section 151 Officer)
  - Legality and administration – Borough Solicitor (Monitoring Officer).

- Internal Audit's annual plan contains a programme of work that includes reviews of compliance with policies, procedures, laws and regulations. In addition, work is carried out by Scrutiny Committees, External Audit and other inspection agencies.

- The Head of Internal Audit produces an annual audit report which provides assurance on the adequacy of the Council's control environment.

- The Risk Management Strategy aims to embed risk management into the operational management of the Council and risk assessments are used as part of the key decision making process.

Whistle-blowing and arrangements for receiving and investigating complaints from the public

- The Council has had formal Whistle-blowing and Anti-Fraud and Corruption policies in place throughout the year. They are prominent on the web site both internally and externally. All instances of whistle- blowing have been investigated and closed appropriately and all incoming and in-year instances of potential fraud and corruption have been reviewed and closed, including referral to the police where necessary.

Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

- Members receive individual induction and access to a comprehensive member training programme. Member Personal Development Plans are in place for four years, with an annual review. This was facilitated by North West Employers in 2009.

- Any member taking on a new role is offered an induction and any training required. Planning and Licensing Committee Members have to undertake mandatory training before taking their place on the committee.

- Workforce development plans are developed each year both at a Corporate and a service level as an integral part of the business planning process. Individual development plans are also identified as part of the

performance appraisal process and linked to objectives. A corporate induction programme is in place and all new starters are required to attend.

Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- The Council is developing a process to ensure regular feedback on the delivery of priorities, with research planned in each year and supplemented by regular 'point of contact' customer service feedback. A Quality of Life Survey was undertaken in 2010/11 and a Citizens Panel set up in 2011/12.

- The Local Area Partnerships (LAPs) are a significant mechanism for input and the new assembly model. The LAPs hold up to four Assemblies a year to engage the wider community and local partners. Area Assemblies are open to and involve anyone who has an interest in the local area, and getting involved in local projects and activities. They are promoted locally to attract as many partners as possible. The Assemblies listen to community issues to inform future work, develop local priorities and set the local course of action.

- Most meetings are held in public, using the public interest criteria in the Access to Information Rules. The status of sub-committees and working parties is critically reviewed to ensure that public access is given wherever appropriate.

Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships and reflecting these in the authority's overall governance arrangements

- The Council is involved in a wide range of partnership arrangements involving joint and external funding. The Council's significant partnerships have been determined by Corporate Management Team and their governance arrangements and values have been documented in protocols or formal joint agreements. Further work on a formal definition for the Council's 'significant partnerships' will continue.

- During the year Local Area Agreements were abolished and Regional Development Agencies were replaced by Local Enterprise Partnership (LEPs). The Authority has sought to transform the nature and the role of the Local Strategic Partnerships (LSPs) with a desired intention to move away from 'thematic partnerships' towards developing Local Area

Partnerships (LAPs). There is still a need for oversight of any statutory thematic partnership e.g. Children's Safeguarding Board.

- The Partnership for Action Cheshire East (PACE) Board has agreed the Council's Sustainable Community Strategy as the partnership's business plan.

Review of effectiveness

Cheshire East Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is as follows:

Council/Constitution

- The Council has formally adopted a Constitution that sets out details of how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution Committee, in consultation with other appropriate Members, the Monitoring Officer and Section 151 Officer, monitor and review the Constitution to make sure that its aims and principles are given full effect. Changes to the Constitution are approved by the full Council after consideration of the proposal by the Constitution Committee.

- All Councillors meet together a number of times each year as the Full Council. Together, they set the Council's major plans, policies, strategies and the budget. They take decisions together where required by law, or where the Council decides that collective decisions should be taken.

Cabinet/Other Committees

- The Council has appointed a Cabinet and a number of committees to make decisions. Many of the Council's decisions are made by the Council's Cabinet, Cabinet committees, or officers acting on its behalf. Other decisions, such as planning and licensing decisions, have to be made by committees of the Council, or officers acting on their behalf. The decision making framework has been developed in accordance with the requirements of the law.

▪ The Cabinet meets formally at least once per month, to deal collectively with the high level operational and more strategic business, including key decisions of the Authority. Additionally, the Cabinet has adopted a scheme of delegation to the individual Cabinet Members, so that they are able to take decisions as appropriate within their portfolio responsibility.

Scrutiny Committees

▪ The Council has now appointed six (five operated during 2010/11) Scrutiny and Overview Committees. The role of the Committees includes not just 'holding the Cabinet to account' but also carrying out advisory work on policy development (the 'Overview' function). Each of these Scrutiny Committees meets a minimum of six times during the year. Additional meetings may be required, to deal with unplanned business such as the "call in" of particular Cabinet decisions, ad hoc requests by the Cabinet to undertake policy development work, and specific proposals identified by non Executive Members. A Scrutiny Toolkit is in place to provide a framework for best practice in overview and scrutiny.

Standards Committee

▪ The Standards Committee promotes high standards of ethical behaviour by developing, maintaining and monitoring codes of Conduct for Members of the Council (including Co-opted Members and other persons acting in a similar capacity) and for employees in accordance with best practice and Government guidance. The Standards Committee has formed three Sub-Committees to deal with the initial assessment of any complaints raised against Members; review of decisions whether or not to investigate; and to conduct hearings.

▪ The Standards Committee Annual Report 2010-11 revealed five instances where complaints had been received concerning serving or former Councillors. An additional complaint that fell within the Municipal Year 2009-10 was also reported on, as it had not been included in the previous Annual Report.

▪ In the 2009-10 case, the Assessment Sub-Committee resolved that action other than an investigation was appropriate. This was carried out by the Monitoring Officer and the outcome reported to the Sub-Committee.

▪ Two of the five 2010-11 cases were referred to the Monitoring Officer for investigation and in both cases, the Hearings Sub-Committee agreed with the Investigating Officer's findings. In one of these cases, the Subject Member, a Cheshire East Councillor may have breached the Code of Conduct and a full Hearing is to be held; in the other, which related to a Parish Councillor, there had been no breach.

- In the third of the 2010-11 cases, the Assessment Committee considered a complaint made against seven serving Cheshire East Councillors. The Sub-Committee concluded that there was no breach and no further action was justified. The complainant was not satisfied and the matter was referred to the Review Sub-Committee, which concluded that no further action was justified.

- In the fourth case, the Assessment Sub-Committee considered a complaint against a serving Cheshire East Councillor and concluded that action other than investigation was appropriate. This was carried out by the Monitoring Officer.

- In the final case, the Assessment Sub-Committee concluded that the Subject Member may have breached the Code of Conduct and referred the matter to Standards for England. The Ethical Standards Officer for England investigated and held that there was no breach.

Corporate/Management Assurance

- The Council's Corporate Management Team provides strategic advice to the Council and co-ordinates the Council's activities to ensure high standards of performance.

- Councillors are supported by the Council's employees (officers) who provide advice, implement decisions and manage the day to day delivery of services. Some officers have specific duties to ensure that the Council acts within the law, and uses resources wisely. These are the Monitoring Officer and Section 151 Officer.

- Formal assurance with regard to the governance framework is provided by Directors, Heads of Service and Service Managers who independently sign off on the adequacy of controls within their service areas via disclosure statements. Furthermore, designated officers complete Annual Governance Statement self-assessments in order to determine the extent to which the Council complies with the principles of good governance contained within its local code.

Internal Audit

- The Council's Internal Audit & Compliance section produce and deliver against a risk-based Annual Plan, approved by the Audit and Governance Committee, in accordance with the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006'. The Head of Internal Audit & Compliance reports progress against the Plan and the section's individual performance targets to the Audit and Governance

Committee throughout the year. 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 a plan to ensure continuous improvement of the system is in place.

External Audit/Inspection

- The Council's External Auditors (The Audit Commission), annually reviews the financial aspects of corporate governance, including the work of Internal Audit. In carrying out this work the Commission seeks assurance that the systems of financial control are in place and operating effectively. This includes a review of the Council's key financial systems in order to establish that they operate soundly and that there are no fundamental breakdowns in controls that would result in material discrepancies.

- Further assurance is provided by External Auditors and other review/inspection bodies such as the Health & Safety Executive, the Audit Commission, Office for Standards in Education (OFSTED) and the Care Quality Commission.

Audit and Governance Committee

- The Audit and Governance Committee plays a key role in the review of the effectiveness of the governance framework by seeking assurance on the adequacy of the Council's risk management, control and governance arrangements and monitoring the AGS action plan. During 2010-2011, the Chair of the Committee and the Head of Policy and Performance assessed the effectiveness of the system of internal audit using the following checklists:

  - compliance with the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006
  - self-assessment - measuring the Effectiveness of the Audit Committee. This was reported to and agreed by the Audit and Governance Committee.

- Work on the governance statement is co-ordinated by the Corporate Governance Group, which reports its findings to the Audit and Governance Committee following consideration by the Corporate Management Team. The Audit and Governance Committee critically review the AGS and its supporting documentation and, in considering whether to approve the Statement, seeks to satisfy itself that Management has obtained relevant and reliable evidence to support the disclosures made.

- The Audit and Governance Committee approves the Statement of Accounts and the AGS based on the adequacy of assurance provided by Management.

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 a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

As a result of the review of effectiveness process described above, the Council's Governance Framework is considered adequate. There are a number of issues that require action and development. These are listed below:

- Responding to the new policy agenda freedoms since the reduction in the inspection regime and national performance reporting regimes
- Financial Management
- Review of Constitution

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. A detailed Action Plan is included as Appendix 1. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leading Member & Chief Executive on behalf of Cheshire East Council