

Cheshire East Council  
Significant Governance Issues and Action Plan 2011/12

The Annual Governance Statement 2010/11 identified the following significant governance issues:

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

Progress against these actions identified for the above has been monitored throughout the year by the Corporate Governance Group, and reported to the Audit and Governance Committee. In reviewing the 2010/11 issues, the Corporate Governance Group identified “Financial Management” as a continuing significant issue. Sufficient progress has been made against the other issues for them not to be included in the 2011/12 statement.

| No. | Actions  | Responsibility       | Target Date |
|-----|--|----------------------|-------------|
| 1   | <b>Issue: Awareness and compliance with Council processes/procedures</b><br><i>Area: A number of Council policies have and are being updated. Sufficient awareness of Council policy and key documents (e.g. Finance &amp; Contract Procedure Rules) in some areas of the Authority has proven to be lacking. The processes and procedures supporting key Council policies needs to be communicated/reiterated to managers/staff and compliance monitored thereon.</i>   |                      |             |
|     | <p>The Constitution Committee has continued to review the Council’s Constitution on an ongoing basis. The Committee considered a number of reports in 11/12 and made recommendations to full Council, leading to an update of the Constitution, including Finance and Contract Procedure Rules and Officer Schemes of Delegation.</p> <p>CMT to ensure service managers familiarise themselves with the Finance and Contact Procedure Rules, contained within the recently updated Constitution.</p> <p>As required by the Constitution, Managers are to ensure that they are familiar with the requirements of relevant delegated functions (Officer Schemes of Delegation), and that any</p> | Service Managers/CMT | July 2012   |

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|          | <p>further sub delegations are set out in a Local Scheme of Delegation.</p> <p>In addition, approval limits for financial transactions should be documented within a Financial Scheme of Delegation. Delegated approval limits must be consistent with the Oracle workflow limits, and these limits should be complied with, even when purchases are initiated outside of the Oracle system.</p> <p>Service managers are asked to ensure such Schemes are in place, are kept up to date, and that compliance with approval limits and delegated functions is monitored.</p>  |  |                              |
| <b>2</b> | <b>Issue: Issues and actions arising from Lyme Green</b>   |  |                              |
|          | <p><b>Area:</b> <i>At the request of the Chief Executive and the Leader of the Council, an Internal Audit review of the issues surrounding the expenditure incurred on the proposed waste transfer station at Lyme Green was undertaken. The objective of the review was to provide an independent and objective opinion to the organisation on management's compliance with established policies, procedures, laws and regulations particularly with regard to the use of assets and resources entrusted to it in pursuance of the project. In particular it aimed to establish whether any controls, procedures or policies have been compromised and identify the steps that may need to be taken to prevent a re-occurrence.</i></p> |  |                              |
|          | As per the <a href="#">Action Plan</a> (when Minutes available) agreed by the Audit & Governance Committee at its special meeting of 14 <sup>th</sup> June 2012.   | Audit & Governance Committee                 | As per. Committee timetable. |
| <b>3</b> | <b>Issue: Empower Card Review</b>  |  |                              |
|          | <p><b>Area:</b> <i>In November 2011 a review of the Empower Card implementation process was undertaken following concerns raised by users and providers. The early findings established that there were difficulties with Client Contributions, payment arrangements with providers and the relationship and processes with the supporting bank. The review, which included feedback from staff, customers and providers, has identified changes required to the supporting processes and the product in the form of an action plan.</i></p>   |  |                              |
|          | The review has been conducted by a task force led by the Strategic Director for Children's Families and Adults which included input from Audit, Finance and Legal.   | Strategic Director of Children, Families and | March 2013                   |

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|     | <p>A steering group is in place to oversee the implementation of the action plan.</p> <p>An update report, which will seek approval for the future vision and options, will be brought to Members during the summer.</p> <p>Specific actions include:</p> <ul style="list-style-type: none"><li>• Undertaking an audit of payments and client contributions, by a specially created Empower Audit Task Team, aiming to establish the robustness of the payment arrangements with providers</li><li>• Establishing and recovering directly from clients any contributions not paid in accordance with the Care Support Plan and Financial Assessment</li><li>• Once the above actions have delivered sufficient stability, determine a new vision for the financial arrangements for Adults, explore future systems, banking products and processes to simplify and standardise</li></ul> | Adults.   |               |
| 4   | <p><b>Issue: Care Provider Failure</b></p> <p><b>Area:</b> <i>There is increased potential for legal challenge around fees paid, and of provider sustainability and or failure in the current economic climate, as demonstrated by the collapse of Southern Cross, the UK’s largest care home provider in July 2011.</i></p> <p>The Council has commissioned a consultant to assist in developing a Fees Framework for Residential, Nursing, Domiciliary Care, Support Living and Direct Payments. This work will also achieve the development of Quality Frameworks – to assist the Council in raising standards of care, and to assure quality provision within the fees framework and affordability. By working with providers the aim will be to establish a fee structure that is sustainable for both the Council and providers over the medium term.</p>                          |   |               |
|     |  | Head of Integrated Strategic Commissioning and Safeguarding | December 2012 |
| 5   | <p><b>Issue: Judicial Review</b></p> <p><b>Area:</b> <i>Challenges to the Authority in the form of judicial reviews are increasing. The basis of the challenges involves the allocation of</i></p>   |   |               |

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|     | <p><i>funding and resources, and deprivation of liberty. The financial impact in 2011/12 is £500,000. The risk of provider failure in the care market has become a real concern during 2011/12, highlighted by the events at Southern Cross, the UK's largest care home provider until its demise in July 2011.</i></p> <p>The service has improved the application of policy, staff training and tightened procedures with the assistance of Legal. However, the risk of Judicial Reviews remains significant because of the continuing growth and availability of litigation, and the changing personalisation agenda.</p> <p>Continued close liaison with Legal, jointly assessing and monitoring potential cases will continue for the foreseeable future, allowing early warning and action to be taken across the Council.</p>   | Head of Local Delivery and Independent Living Service | Ongoing     |
| 6   | <p><b>Issue: Financial Management</b></p> <p><b>Area:</b> <i>Delivery of the 2011/12 budget has proved challenging with a number of services facing out-turn pressures due to a range of factors, including inflation, ambitious delivery and savings targets and higher than anticipated levels of service demand. General economic pressures and the demands arising from the delivery of an ambitious capital programme and complex pay harmonisation package have added to the challenges.</i></p> <p><b>Actions already implemented/in progress</b></p> <p><u>General</u></p> <ul style="list-style-type: none"> <li>• Monthly performance monitoring embedded</li> <li>• Corporate Training Programme extended to include Budget Management module</li> <li>• Development of improved suite of financial management reports and self-serve portal (Financial Reporting Centre)</li> <li>• 2012/13 budget adjusted to address permanent growth pressures (including Teachers Pensions, Placement costs for 16+ young people, Adults Care costs and undeliverable cross-cutting savings)</li> <li>• Monthly capital monitoring review meetings with main service directorates</li> </ul> |   |             |

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|     | <u>Specific</u><br><u>Children and Families</u> <ul style="list-style-type: none"> <li>Development of in-house residential provision to reduce out of borough placement costs</li> </ul>   | Deputy Director of Children and Families  | March 2013         |
|     | <u>Adults</u> <ul style="list-style-type: none"> <li>Refinement of cost driver analysis</li> </ul>   | Strategic Director of Children, Families and Adults   | December 2012      |
|     | <ul style="list-style-type: none"> <li>Targetted debt recovery action</li> </ul>   | Head of Business Management and Challenge   | March 2013         |
|     | <ul style="list-style-type: none"> <li>Empower audit and review</li> </ul>   | Strategic Director of Children, Families and Adults and Director of Finance and Business Services | See Issue 3 above. |
|     | <ul style="list-style-type: none"> <li>Consultant engaged to support care cost challenge and undertake 'stress testing' of future savings delivery.</li> </ul>   | Head of Integrated Strategic Commissioning and Safeguarding                                       | September 2012     |
|     | <u>ICT</u> <ul style="list-style-type: none"> <li>Rationalisation of Shared Service staffing levels and targetted VR programme</li> <li>Review of third party spend, cancellation and consolidation of contracts)</li> <li>Maximisation of partnership and third party income</li> </ul> |   |                    |

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|     | <p><u>Waste Management</u></p> <p>Service out-turn relating to Waste included the one off implementation costs of the new harmonised collection rounds and also redundancy costs. Certain cost pressures remain, attributable to pay harmonisation, fuel inflation and services contracts. Actions in progress include:</p> <ul style="list-style-type: none"> <li>Review of waste fleet provision, including provision and maintenance</li> <li>Review of waste structure, particularly use of agency support</li> <li>Review of third party spend, contract provisions and revised tonnage forecasts</li> </ul> <p><u>Community Services</u></p> <ul style="list-style-type: none"> <li>Increased car park tariffs and alternative payment options</li> </ul> <p><b>Further action proposed</b></p> <ul style="list-style-type: none"> <li>Roll out of Financial Reporting Centre to 250 budget managers, and development of capital and payroll forecasting reports.</li> <li>Implementation of revised operating model for client finance</li> <li>Development of fully costed product/service catalogue for HR &amp; Finance &amp; ICT Shared Service</li> <li>Capital training module to be added to Corporate Training programme</li> </ul> | <p>Head of Waste &amp; Recycling/Strategic Fleet Manager</p> <p>Head of Waste &amp; Recycling</p> <p>Head of Waste &amp; Recycling</p> <p>Director of Finance &amp; Business Services</p> <p>Strategic Director Children, Families &amp; Adults and Director of Finance &amp; Business Services</p> <p>Director of Finance &amp; Business Services</p> <p>Finance Manager</p> | <p>September 2012</p> <p>September 2012</p> <p>September 2012</p> <p>December 2012</p> <p>April 2013</p> <p>December 2012</p> <p>December 2012</p> |

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|     | <ul style="list-style-type: none"> <li>Strengthening of capital programme governance and monitoring arrangements in accordance with recommendations arising from report on Lyme Green Waste Transfer Station project.</li> <li>5 year capital programme planning being developed to ensure affordability and deliverability of medium term investment programme.</li> </ul>  | <p>Director of Finance &amp; Business Services</p> <p>Director of Finance &amp; Business Services</p> | <p>September 2012</p> <p>September 2012</p> |
| 7   | <b>Issue: Shared Services Separate Legal Entity (SLE)</b><br><b>Area:</b> The Council has a range of shared services. Of these, it is proposed that the ICT and HR and Finance shared service be set up as a separate legal entity (SLE) to enable greater collaboration and potential increased trading. This arrangement would also allow for employees in those services to be employed on a single set of terms and conditions.<br><br>In preparation for the SLE an extensive improvement programme has been undertaken to address performance issues and to stabilise infrastructure and systems. Another outcome was the development of a fit for purpose Target Operating Model to move the services into a company situation. Recruitment to the TOM is currently underway to enable a transition to shadow mode in anticipation of the move to an SLE as it is believed that this will help to minimise risk of failure.<br>It is anticipated that the SLE Business Case will be approved by Shared Services Joint Committee in the autumn to enable new arrangements to be put in place from 1 April 2013. Existing governance will be reviewed to ensure that this continues to be appropriate to this new way of working. |   |   |
|     | The latest Business Case will be subject to informal discussion by the Joint Committee in June 2012. Should Members informally endorse the Business Case, it will then be subject to the formal decision making processes of both Cheshire East and Cheshire West and Chester Councils. This will include formal consideration by the appropriate scrutiny committees of each authority.   | Director of Finance and Business Services   | Ongoing                                     |
| 8   | <b>Issue: Data Protection breach</b><br><b>Area:</b> The Council was issued with a monetary penalty notice by the Information Commissioner's Office (ICO) for a breach of the Data Protection Act. The Council reported the breach to the ICO following an incident in May 2011, where an email containing sensitive personal information was sent to a wider audience than intended. A number of improvements to processes have subsequently been   |   |   |



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|     | <p>made.</p> <p>Following the monetary penalty notice received in January 2012, the Chief Executive signed an undertaking with the Information Commissioner. The requirements of the undertaking included updating policy, introducing various organisational and technical measures and giving training to members and officers.</p> <p><b>Actions already implemented</b></p> <ul style="list-style-type: none"> <li>• Data Protection Policy amended and updated.</li> <li>• Data Sharing Protocol and guidance leaflet published.</li> <li>• ICT Security policies updated.</li> <li>• Increased use of secure e-mail facilities.</li> <li>• Training delivered to managers and members</li> <li>• E-learning modules introduced.</li> <li>• Mandatory training for all members of staff as part of Personal Development Plan.</li> <li>• Establishment of Data Protection Liaison Officer within services.</li> <li>• Concerted communications campaign including Team Talk articles, refresh of intranet pages, separate DP e-mail address etc.</li> </ul> <p><b>Actions in progress</b></p> <ul style="list-style-type: none"> <li>• Development of Data Sharing Policy, Paper Record Policy, Personal Data Definition leaflet, standard paragraphs to be used by services restricting further distribution of information etc.</li> <li>• Further training for members planned.</li> <li>• Other targeted training, awareness sessions planned.</li> <li>• Continued establishment of DP Liaison Officers.</li> </ul> | CMT/Data Protection Officer | Ongoing to March 2013. |