

CHESHIRE EAST COUNCIL

REPORT TO: CABINET

Date of Meeting:	10 th December 2012
Report of:	Director of Finance and Business Services
Subject/Title:	Annual Governance Report – Cabinet Response
Leader:	Cllr Michael Jones, Leader of the Council

1.0 Report Summary

- 1.1 The Annual Governance Report (Appendix 1) was presented by the Audit Commission to the Audit & Governance Committee on 27th September 2012. The Annual Governance Report (AGR) includes four recommendations intended to improve the Council's arrangements to secure value for money.
- 1.2 It was recognised by the Audit Commission that the Council was already in the process of implementing improvements that are in tune with their recommendations. The Leader of the Council (the Leader), Cllr Michael Jones, recognised the need to provide clearer strategic direction and political leadership as he took on his new role in early summer. The Council has been on a strong path of improvement ever since and plans to continue with even greater improvement during this financial year and beyond.
- 1.3 The Leader, Cabinet and in particular the Portfolio Holder for Finance and the Portfolio Holder for Performance have taken ownership of the Action Plan in response to the recommended improvements and are working with the interim Chief Executive and Corporate Management Team to drive this improvement.
- 1.4 The Audit Commission Annual Audit Letter (AAL) will be reported to Council on 13th December 2012, including the Council's approved response to the AGR recommendations for improvement. The AAL provides even greater recognition of the progress made by the Council in securing value for money this financial year and the strategic and ambitious direction of travel through a new vision for Cheshire East.

2.0 Decision Requested

- 2.1 To approve the Council's response (Appendix 2) to the Audit Commission Annual Governance Report recommendations intended to improve arrangements to secure value for money.

3.0 Reasons for Recommendations

- 3.1 It is important for Cheshire East Council to demonstrate its commitment to improvement and to its new vision for the future (3 Year Plan attached at

Appendix 3). It is clear that significant progress had already been made by the Council ahead of the Audit Commission AGR and this is evidenced in the comprehensive response provided in Appendix 2.

- 3.2 Cabinet is making a clear statement of intent in making this decision and is sending a strong message that 'we are on with it', utilising the ideas, skills and expertise of Cheshire East Members and officers.

4.0 Wards Affected

- 4.1 All

5.0 Local Ward Members

- 5.1 All

6.0 Policy Implications

- 6.1 There are no direct policy implications associated with this decision.

7.0 Financial Implications (Authorised by the Director of Finance and Business Services)

- 7.1 There are no direct financial implications associated with this decision.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Audit Commission is required under Section 5 of the Audit Commission Act 1998 to satisfy it that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires it to report to the Council its conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

9.0 Risk Management

- 9.1 By identifying an Action Plan in response to the Audit Commission recommendations for improvement, and demonstrating the achievement against the Action Plan, the Council is mitigating the risk of an adverse Value for Money conclusion for 2012/13.
- 9.2 By making the approval of the Council's response a Cabinet decision, the Leader is recognising the importance of the response and its relevance to the Council's plans for improvement. In addition the Audit Commission Annual Audit Letter will be reported to Council on 13th December 2012, again demonstrating the importance of addressing the Audit Commission's improvement messages.
- 9.3 Cabinet also recognises the role of the Audit & Governance Committee in gaining assurance from the improvements to governance arrangements,

processes and internal controls. The Committee will receive a progress report on the Action Plan at its meeting on 31st January 2012. Again this assists the mitigation of an adverse Value for Money conclusion for 2012/13.

10.0 Background and Options

- 10.1 The Annual Governance Report (Appendix 1) was presented by the Audit Commission to the Audit & Governance Committee on 27th September 2012. The Annual Governance Report (AGR) includes four recommendations intended to improve the Council's arrangements to secure value for money:

Recommendation 1

Members need to provide clearer strategic direction and political leadership when agreeing priorities, taking difficult decisions and supporting officers to deliver agreed plans.

Recommendation 2

The Council needs to implement planned improvements in business planning and programme/project management processes providing a clear link to agreed priorities – including robust option appraisal and financial analysis before projects begin. This should also include relevant aspects of recognised effective programme/project management arrangements for all projects.

Recommendation 3

The Council needs to develop longer term financial plans clearly aligned to business priorities and supported by deliverable savings plans. These plans should also ensure that reserves are used appropriately and are maintained in line with the Council's own assessment of the financial risks it needs to manage. The quality of financial forecasting in some areas also needs to improve.

Recommendation 4

The Council needs to improve performance monitoring and reporting. This should include agreeing a set of relevant local performance indicators that reflect its priorities. Those indicators should then be reported alongside the national indicators and integrated with robust financial information to support member and officer decision making.

- 10.2 The Council's Action Plan in response to the above recommendations is provided at Appendix 2. The response clearly sets out the progress already made by the Council ahead of the reporting of the AGR and also clearly demonstrates the further actions planned to address any areas of weakness.
- 10.3 The primary areas of focus for the Action Plan are provided in the response to Recommendation 1, owned by the Leader. The planned action includes:

- The development of policies, based on the vision for Cheshire East, which will drive the achievement of the Council's 3 Year Plan for 2013/16 (Appendix 3).
- In developing the Council's policies, recognising the need to make tough decisions on the future delivery of Services and being prepared to see them through.
- The setting of a robust 3 Year Budget for 2013/16 that is affordable, deliverable and sustainable.
- The development of a strategic 3 Year Capital Programme for 2013/16 with an emphasis on investment in external and internal infrastructure, development of new Service delivery models and invest-to-save opportunities.
- The development of a major 3 year programme of transformational change in service delivery by March 2013, out of which we can identify a major savings plan.

10.4 The Action Plan also focuses on achieved and planned improvements including:

- The development and implementation of the new Project Gateway model, including the new Executive Monitoring Board and the Technical Enabler Group.
- The full implementation of the corporate Project Management Framework by March 2013, including effective communication of the new model and a strong training programme underpinned by user friendly guidance.
- The Directorate reviews of key Services and delivery models as part of the development of the 2013/16 transformational change programme.
- The completion of the review of Performance Management and the implementation of its recommendations by the end of March 2013.

10.5 The Audit Commission Annual Audit Letter will be reported to Council on 13th December 2012. It welcomes the Council's response to its recommendations and provides a balanced and positive view of the Council's prospects for improvement and its strong and strategic direction of travel.

10.6 It is therefore recommended that Cabinet approve the attached Action Plan (Appendix 2) in response to the Audit Commission recommendations intended to improve arrangements to secure value for money.

11.0 Access to Information

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

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