

## Audit Commission Recommendations

### Audit Commission - 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.**

**Cheshire East Responsibility: Leader of the Council (the Leader)**

#### **Cheshire East Comments:**

The need to provide clearer strategic direction and political leadership was recognised by the new Leader in early summer as he took on his new role. The Leader also recognised that the previous three years were about forming Cheshire East and that these were difficult and challenging times, in the midst of economic uncertainty and significant reductions in funding. It is felt that not enough recognition was given in the Audit Commission's report to the specific historic and continuing underfunding issues faced by Cheshire East. This underfunding relates to a lack of recognition of the aging population in the area, above national trend, the pockets of deprivation in the main towns and also the rural nature of the Borough. The uncertain times are here to stay in the medium to long term but the new Cabinet have been building a strong platform during the summer and into the autumn upon which the vision for Cheshire East can be set for the next three years and beyond. This vision in the form a 3 Year Plan was reported to Cabinet on 15<sup>th</sup> October and is a new dawn of openness, transparency and inclusiveness. The Leader has also taken strong action with regard to the Council's Project Management arrangements, as detailed in the responses to Recommendations 2 and 4 below. The message is 'we are on with it', utilising the ideas, skills and expertise of Cheshire East Members and officers.

The key initiatives that have been undertaken in the first half of the financial year are:

- The development of a vision for Cheshire East that will define the core purpose of the Council, the outcomes that we are striving to achieve for local people and our priorities for action over the next three years.
- The development of a governance framework to support the implementation of Policy Development Groups and a redefinition of the Scrutiny arrangements.
- The implementation of a more significant role for Portfolio Holders in decision making.
- The Capital Visioning exercise, including a fundamental review of the existing Capital Programme and a focus on the priorities for future investment over the next five years.
- The development and implementation of the new Project Gateway model, including the new Executive Monitoring Board and the Technical Enabler Group.

#### **Further Action:**

- 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.
- 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.
- The aim is that for 12/13 and beyond this will lead to strong delivery and therefore a clear demonstration that Cheshire East provides value for money in the delivery of needed and targeted services.

## **Audit Commission - 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.**

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### **Cheshire East Responsibility: Cabinet and CMT**

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#### **Cheshire East Comments:**

Cabinet and Corporate Management Team have provided a clear steer on how the Council's 3 Year Plan is to be developed and where the Budget setting process needs to improve to ensure that there is a clear link to the agreed priorities. Again, this was set out in the report to Cabinet on the 3 Year Council Plan on 15<sup>th</sup> October. There is a strong commitment to work much more closely with all Members through the emerging Policy Development Groups. An all Member briefing took place on 3<sup>rd</sup> October 2012.

The new Project Gateway model has been developed over the summer and autumn periods and is now being implemented and embedded. The new model is bringing about a more robust discipline to the management of major Projects and Programmes across the Council but will also ensure that the process is simple and agile. A key aspect of effectively operating the Project Gateway is the formation of a high level, Member-led Governance Group called the Executive Monitoring Board (EMB). The EMB has taken on the challenge role as part of the development of the Council's Budget setting proposals and the monitoring of their delivery. One of the key aims of the EMB will be to provide consistent and robust direction for all major Projects and Programmes in Cheshire East through the Project Gateway model. The EMB met on a monthly basis since its first meeting on 29<sup>th</sup> August 2012. It is supported by a Technical Enabler Group (TEG) comprising of key corporate enablers supporting major Projects and Programmes and a Programme Office (PMO). The TEG supports the EMB by assessing the technical feasibility and options of proposals from the perspective of all relevant professional disciplines.

The EMB is comprised of the following members:

Portfolio Holder for Performance (Chair)  
Portfolio Holder for Finance (Vice-Chair)  
Strategic Director for Places and Organisational Capacity  
Strategic Director for Children, Families and Adults  
Director of Finance and Business Services

In attendance to support the Board:

Organisational Change Manager (PMO Lead)  
Corporate Finance Officer  
Heads of Service as appropriate

The EMB will essentially perform two streams of work:

Stream 1 – Review and Challenge of proposals as part of the Council's 3 Year Planning process  
Stream 2 – Quality assurance and monitoring of progress

Underpinning the above governance has been the development of the Council's Project Management Framework through the Council wide Project Management Group. Good progress has been made with regard to the implementation of the framework and the delivery of the associated guidance and training. There has also been significant action taken to date in each Directorate to introduce a more disciplined

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approach to Project and Programme management. This is now linking in well with the introduction of the Project Gateway model and the improvements in financial forecasting.

### **Further Action:**

- The further development of the Technical Enabler Group (TEG) to support the EMB, the first meeting of TEG took place on 4<sup>th</sup> October 2012.
- The full implementation of the corporate Project Management Framework by March 2013, including effective communication of the new model, for all projects not just major projects, and a strong training programme underpinned by user friendly guidance.
- The completion of detailed business cases for proposals coming from the 3 Year planning process for 2013/16, based on strong options appraisal, robust financial analysis and capacity to deliver, through TEG and EMB.
- The identification of existing major Projects and Programmes for review and monitoring by EMB.
- Introduction of robust 3 year business plans for individual services across the Council, building on previous approaches to service planning. These will clearly identify, amongst other things, key projects and programmes and will ensure that Services have the capacity and capability to deliver these projects and programmes.

### **Audit Commission - 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.**

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### **Cheshire East Responsibility: Portfolio Holder for Finance and CMT**

#### **Cheshire East Comments:**

The Portfolio Holder for Finance, as part of the vision for Cheshire East, has already determined that a longer term approach to financial planning is required to ensure that the Council continues to demonstrate and achieve financial resilience. The 2013/16 Budget will be policy led, based on the priorities set out in the 3 Year Council Plan and will incorporate a change delivery plan based on robust business cases made through the Executive Monitoring Board. The Budget will be balanced over the three-year period, backed up by a strong assessment of risk and opportunity and a clear demonstration that the organisation has the capacity to deliver its plans.

The current Reserves Strategy is risk assessed and recognises the uncertainty in the economic environment, the volatility of central government funding and the national and local pressures faced by the Council. It has been necessarily cautious with regard to the planned application of reserves, with some strategic use to enable savings and key projects, but mainly planned growth to safeguard the future difficulty in balancing within the current Comprehensive Spending Review cycle and beyond. The Reserves Strategy for 2013/16 will still be based on uncertainty but with a stronger and more deliverable transformational change programme and savings plan there will be a greater opportunity to use reserves strategically to address both short term and long term challenges.

The current year budget pressures were identified very early in the financial year, therefore affording as much time as possible to tackle the underlying pressures and strengthen savings delivery plans. Monthly Performance reports were in place from April, produced through the Council's corporate performance system CorVu. The monthly reports include key local performance indicators, a forecast of the year-end financial position and a risk assessment of the delivery of savings plans for each Directorate. The 1<sup>st</sup> Quarter Performance report to Cabinet clearly set out the financial challenge for the Council for 2012/13.

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There is also a significant amount of work being undertaken by each Directorate to understand the base budget and Service activity. The main focus has been to identify the key cost drivers in each Service area in order to identify where cost can be removed and where Services can be developed and improved. This work is also addressing the need to provide more accurate and meaningful financial forecasts based on strong Service based commitment information. In addition a number of corporate and Service specific initiatives have been undertaken to examine new services delivery models.

The partnership between the Finance Team and Directorate Management Teams has been strengthened throughout the current financial year through the implementation of the Finance Reporting Centre (FRC). In excess of 40 pilot Budget managers have been working with the Finance Team to test the first wave of dedicated reports based on the key reports used by managers. The FRC is now being rolled out across the organisation and is also being further developed to incorporate additional reporting requirements such as payroll forecasting and capital analysis.

### **Further Action:**

- The agreement of a 3 Year Council Plan for 2013/16 to enable a longer term financial plan, including a strategic approach to investment.
- The setting of a balanced 3 Year Budget for 2013/16 and a resilient and risk assessed Reserves Strategy.
- The review of the approach to monthly and quarterly integrated performance reporting by March 2013 to ensure that key local indicators are determined by the priorities set out in the 3 Year Council Plan and that financial forecasts are based on consistent and robust financial forecasting.
- The Directorate reviews of key Services and delivery models as part of the development of the 2013/16 transformational change programme.
- The rollout of the Finance Reporting Centre during 2012/13 along with the further improvement and development of the reporting package.

### **Audit Commission - 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.**

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### **Cheshire East Responsibility: Portfolio Holder for Performance and CMT**

#### **Cheshire East Comments:**

The Portfolio Holder for Performance, as part of the vision for Cheshire East, has already determined that the Council's Performance Management Framework requires strengthening and re-focusing based on the Council's priorities and identified outcomes for the public, communities and businesses in Cheshire East to be set out in the 3 Year Council Plan. The Council's Performance Management framework will address the need to demonstrate to the public and key stakeholders that the Council is achieving what it set out to do and is delivering value for money in the Services that it provides. The framework will also address the need to demonstrate that the organisation is performing from a business perspective and that Services should be continually striving for improvement and greater efficiencies. Local indicators will be developed, which will be set of outcome measures. This will be driven by the 3 Year Council Plan and based on the six identified key outcomes.

Early on in the year, a review of the Performance Management Framework commenced and is progressing under the management of a cross service steering group. The review is addressing:

- The existing Performance Management Framework.
  - The suite of indicators in use, both those required nationally and those developed locally.
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## Appendix 2

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- The systems for performance measurement and monitoring.

The actions and work undertaken as described under Recommendations 2 and 3 above are also relevant to this recommendation and are therefore repeated below.

The new Project Gateway model has been developed over summer and autumn periods and is now being implemented and embedded. The new model will bring about a more robust discipline to the management of major Projects and Programmes across the Council. A key aspect of effectively operating the Project Gateway is the formation of a high level, Member-led Governance Group called the Executive Monitoring Board (EMB). The EMB has taken on the challenge role as part of the development of the Council's Budget setting proposals and the monitoring of their delivery. One of the key aims of the EMB will be to provide consistent and robust direction for all major Projects and Programmes in Cheshire East through the Project Gateway model. The EMB has been meeting on a monthly basis since its first meeting on 29<sup>th</sup> August 2012. It is supported by a Technical Enabler Group (TEG) comprising of key corporate enablers supporting major Projects and Programmes and a Programme Office (PMO).

The current year budget pressures were identified very early in the financial year, therefore affording as much time as possible to tackle the underlying pressures and strengthen savings delivery plans. Monthly Performance reports were in place from April, produced through the Council's corporate performance system CorVu. The monthly reports include key local performance indicators, a forecast of the year-end financial position and a risk assessment of the delivery of savings plans for each Directorate. The Mid-Year Performance report to Cabinet clearly set out the financial challenge for the Council for 2012/13.

There is also a significant amount of work being undertaken by each Directorate to understand the base budget and Service activity. The main focus has been to identify the key cost drivers in each Service area in order to identify where cost can be removed and where Services can be developed and improved. This work is also addressing the need to provide more accurate and meaningful financial forecasts based on strong Service based commitment information. In addition a number of corporate and Service specific initiatives have been undertaken to examine new services delivery models.

The partnership between the Finance Team and Directorate Management Teams has been strengthened throughout the current financial year through the implementation of the Finance Reporting Centre (FRC). In excess of 40 pilot Budget managers have been working with the Finance Team to test the first wave of dedicated reports based on the key reports used by managers. The FRC is now being rolled out across the organisation and is also being further developed to incorporate additional reporting requirements such as payroll forecasting and capital analysis.

### **Further Action:**

- The completion of the review of Performance Management and the implementation of its recommendations by the end of March 2013.
  - The completion of the development of a new set of outward facing and outcome based local indicators to be reported on a quarterly basis from 2013/14.
  - The completion of the development of a new set of internal business performance indicators to be reported on a monthly basis from 2013/14.
  - Introduction of robust three-year business plans for individual services for 2013/16 across the Council, building on previous approaches to service planning.
  - The further development of the Technical Enabler Group (TEG) to support the EMB, the first meeting of TEG took place on 4<sup>th</sup> October 2012.
  - The identification of existing major Projects and Programmes for review and monitoring by EMB.
  - The review of the approach to monthly and quarterly integrated performance reporting by March 2013
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## Appendix 2

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to ensure that key local indicators are determined by the priorities set out in the 3 Year Council Plan and that financial forecasts are based on consistent and robust financial forecasting.

- The Directorate reviews of key Services and delivery models as part of the development of the 2013/16 transformational change programme.
  - The rollout of the Finance Reporting Centre during 2012/13 along with the further improvement and development of the reporting package.
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