

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	10 <sup>th</sup> December 2013
<b>Report of:</b>	Peter Bates, Chief Operating Officer
<b>Subject/Title:</b>	Notice of Motion – Auditor's Value for Money Conclusion
<b>Portfolio Holder:</b>	Cllr P Raynes, Finance / Cllr B Moran, Performance

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### 1.0 Report Summary

- 1.1 This report responds to the following motion, submitted to Council on 17<sup>th</sup> October 2013 by Councillor S Corcoran.

#### 1.2 *Motion*

*The Council welcomes the qualified value for money conclusion from the external auditors and:*

- Accepts that more 'more needs to be done to ensure that tough decisions are taken when setting the budget rather than relying on services to deliver savings in year'.*
- Commits to setting a realistic budget for 2014/15 so that the major overspends seen in recent years do not recur and that unplanned remedial actions are not necessary:*
- Agrees to ensure that its decision making is – and is seen to be - transparent to the public"*

### 2.0 Recommendation

- 2.1 It is recommended that Cabinet reject the motion on the basis that action is already in hand to address the substantive issues raised by Grant Thornton in their Audit Findings Report, and that progress will be further enhanced by the action plan recently endorsed by the Audit and Governance Committee.

### 3.0 Reasons for Recommendation

- 3.1 The arrangements for addressing the value for money qualification were established within the 2012-2013 financial year. These actions are not outstanding.
- 3.2 The actions detailed in the audit findings are consistent with the improvement project existing prior to the audit and which has since then further progressed.

- 3.3 The 2012-2013 Budget was achieved, with an underspend of £300,000, despite the tough financial climate and a strategy to continue freezing Council Tax payments for residents.
- 3.4 The Council's delivery of value for money to residents has not been criticised and no evidence has been presented of cases where this has occurred. The findings relate to internal business procedures which already formed part of our internal business improvement at the time of the audit. The Council has saved each and every household almost £500, compared to the inflation adjusted cost of a band D property, since its formation in 2009.
- 3.5 Cheshire East is committed to continuous improvement and excellence in all that it influences and delivers, and to ensuring value for money to its residents, businesses and service users. It therefore, welcomes all feedback on its performance and constructive recommendations for improvement.

Feedback from the external auditors, who have open access to all our systems and processes and extensive experience of best practice across the whole of the public sector is particularly valued. The action plan put in place to address the auditors 2012/13 findings and conclusions demonstrates the Council's clear commitment to build on the positive progress achieved to date, and evidenced in the auditors report. This will further strengthen its financial reporting, stewardship and governance arrangements. Clear evidence of the ongoing improvement has been demonstrated by the stronger financial performance in 2013/14 and the direction of travel is positive despite the obvious financial challenges caused by national austerity measures.

#### **4.0 Wards Affected**

- 4.1 Not applicable

#### **5.0 Local Ward Members**

- 5.1 Not applicable

#### **6.0 Policy Implications**

- 6.1 The recommendations form part of the existing business improvement programme. There are therefore no policy implications from the report.

#### **7.0 Financial Implications**

- 7.1 The recommendations, being part of our business improvement programme, are costed into the 2013/2014 budget.

## 8.0 Legal Implications

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

## 9.0 Risk Management

- 9.1 Failure to satisfactorily address the audit findings and recommendations from 2012/12 may expose the Council to further qualification in the current and future financial years, with consequent reputational damage, and the possibility of increased audit fees. The management responses outlined in this report are intended to avoid this outcome, improve overall financial stewardship and therefore, mitigate this risk.

## 10.0 Background and Options

- 10.1 Cheshire East has aspirations to be a leading unitary authority for residents and businesses:

- Over 17,000 businesses have chosen to located in Cheshire, more than either Manchester or Liverpool
- Only 2.2% of working age residents claim unemployment benefits in Cheshire East compared to a northwest average of 4%
- Connecting Cheshire project is targeting 96% superfast broadband coverage responding to feedback from businesses
- Investment in roads has been increased by £25m over two years. 46,000 potholes were repaired in 2012/2013 which has risen to over 50,000 already in 2013/2014
- Instances of crime and anti-social behaviour are much lower than northwest averages.
- Life expectancy in Cheshire East is higher than the northwest average.
- Health in the area is good, with lower obesity levels than the north west average and visits to leisure centres are in excess of 1m.
- The percentage of schools rated good or outstanding exceeds northwest averages

- 10.2 A copy of the auditor's final Value for Money conclusion as outlined on page 23 of their 2012/13 Audit Findings Report is attached at Appendix 1. Members are asked to note that this wording differs from that quoted in Councillor Corcoran's Notice of Motion.

- 10.3 Specifically, the final conclusion confirms that the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources were found to be satisfactory **'in all significant respects'**, and whilst weaknesses in arrangements for procurement of goods and services, understanding of costs and performance and arrangements to develop business proposals and manage significant projects, were cited; reference to the Council being unable to 'demonstrate that is was prioritising costs resources within budgets – in a planned way – and achieving cost

reductions alongside greater efficiencies and improved productivity' was **not** included in the final report.

- 10.4 It is also important to balance consideration of identified weaknesses and recommended improvements against the many positive references made by Grant Thornton to the substantial progress the Council has already made in strengthening its overall financial governance and stewardship in difficult and austere times. In their Annual Audit Letter they commented that :-

**'Overall, the Council made significant improvements to its arrangements during the course of the year and ended up in a much better position than it started. It delivered the 2012/13 budget and achieved a small surplus. Further improvements have been made since April 2013. The Council now has better information and processes to help it set out how it is prioritising resources and to demonstrate efficiency and improved productivity.'**

- 10.5 Other specific improvements referenced by the auditors include:

- Improved financial planning and control arrangements, including revised budget setting and Medium Term Financial Planning processes.
- Introduction of a Financial Resilience Update report, to support Member decision making and help create a sustainable financial environment for the Council.
- Significant progress to enable transparent decision making subject to appropriate risk management, challenge, scrutiny and review.
- Review and improvement of the council's performance management framework.
- Engagement of external consultants to undertake a health check of procurement activity and support transformation of current processes.
- Gateway process for managing major projects and capital budgets
- Updated guidance and monitoring over the use of delegated decision notices.

- 10.6 A detailed response to the auditor's specific recommendations with regard to the Council's Value for Money arrangements has been shared with and endorsed by the Audit and Governance Committee and is published on the website with the agenda papers. These actions will embed, sustain and complement the range of positive developments that have already taken place.

## **11.0 Access to Information**

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

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