

# AUDIT AND GOVERNANCE COMMITTEE



Report subject	<b>Annual Governance Statement 2021/22 – Action Plan and update</b>
Meeting date	12 January 2023
Status	Public Report
Executive summary	<p>This report provides an update against the Annual Governance Statement (AGS) Action Plan which identified actions to be taken to address the significant governance issues identified in the 2021/22 AGS.</p> <p>Progress against the agreed action plan is as follows:</p> <p><u>Governance of Children’s Social Services</u> –The improvement journey of Children’s Social Services is monitored through various officer and Councillor forums, including the Improvement Board and Children’s Overview and Scrutiny Committee, and externally through the Department for Education (DfE) Advisor and Ofsted.</p> <p><u>Governance Arrangements with External Bodies</u></p> <ol style="list-style-type: none"><li>1. Parks, charities and trusts A Parks Governance Review is currently being undertaken by a Council senior solicitor, this is expected to report and conclude by 31/3/23. The specific partnership between the Council and the Parks Foundation has been comprehensively reviewed. External legal advice has been sought resulting in various partnership documentation being amended, such as the Memorandum of Understanding. Additionally, some previously undocumented processes, such as decision making processes on individual projects, have been drafted and now need formally approving and adopting.</li><li>2. Partnerships – draft documentation, including definitions, guidance, templates and registers have all been produced, with agreement, adoption and roll out by the action plan agreed 31/3/2023.</li></ol> <p>There was no agreed formal action plan in response to the <u>‘Delay in the completion of the 2020/21 external audit’</u> as the matters were outside the direct influence of BCP Council to resolve. Whilst the External Auditor has published the Annual Report for 2020/21, the formal sign off of the Statement of Accounts has not yet taken place as there remain issues associated with the accounting treatment of infrastructure (national issue) and the audit opinion of the Dorset Pension fund auditors.</p>

	<p>The wording in the AGS has been slightly amended to take account of this latter pension fund issue.</p> <p>The updated Financial Management Code self-assessment reported in July 2022 concluded that BCP Council was compliant with the Code. Some opportunities for further improvement were identified and actions are in progress and will be concluded at various points during 2023.</p> <p>The AGS is required to cover the year ending 31<sup>st</sup> March 2022 but also "...to the date of the publication of the Statement of Accounts". As the publication of Statement of Accounts has been delayed, the report also considered whether any additional significant governance issues have arisen which require inclusion in the 2021/22 AGS.</p> <p>Two issues have been considered and explanations are provided within the report which will mean the AGS 2021/22 will remain unchanged from when it was reported to this Committee on 28 July 2022:</p> <ul style="list-style-type: none"> <li>• Public Inspection period feedback</li> <li>• Financial sustainability</li> </ul>
<b>Recommendations</b>	<p><b>It is RECOMMENDED that Audit &amp; Governance Committee note:</b></p> <p><b>a) the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2021/22 and the opportunities for further improvement in line with the Financial Management Code.</b></p> <p><b>b) note that the wording in the AGS 2020/21 for the delay in the completion of the 2020/21 external audit has been slightly amended to include the delay caused by receiving required confirmation from the auditor of the Dorset Pension Fund.</b></p> <p><b>c) the feedback from the public inspection period and other potential significant governance issues which may have arisen since the publication of the draft have been considered and that no amendment to the AGS 2021/22 has been made.</b></p>
Reason for recommendations	Audit & Governance Committee has the responsibility for considering the arrangements for Corporate Governance including reviewing and approving the AGS.
Portfolio Holder(s):	Councillor Drew Mellor, Leader of the Council
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Update

## Background

1. The 2021/22 draft Annual Governance Statement for BCP Council was agreed prior to the public inspection period by Audit and Governance Committee in July 2022. Due to the delay in publishing the audited statement of accounts, the AGS has not yet been finalised.
2. The draft AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. However, the following three significant governance issues were identified:
  - Issue 1 - Governance of Children’s Social Services
  - Issue 2 - Governance Arrangements with External Bodies
    - i. Parks, charities and trusts
    - ii. Partnerships
  - Issue 3 - Delay in the completion of the 2020/21 external audit
3. An Action Plan to address issues 1 and 2 was approved and it was agreed that a progress report be presented to this (January 2023) Audit and Governance Committee. No internal action plan was produced for item 3 as the delay in the completion of the external audit is a national issue outside the direct influence of the Council.
4. The delay in finalising the statement of accounts has resulted in an extended period where the Council should consider, in line with best practice, whether the AGS needs to be updated with any new significant governance issues. This is explained in more detail at paragraph 7.
5. Work will shortly commence to prepare the 2022/23 AGS, including the completion of assurance statements by service and corporate directors. These will be used to assess the adequacy of the governance framework. The draft will be available for public inspection in line with the statutory time frame.

## Update against the 2021/22 AGS Action Plan

6. Table 1 shows the update against the actions.

**Table 1 - showing Update against Annual Governance Statement 2021/22 Action Plan:**

<p>1</p>	<p><b>Governance of Children’s Social Services</b></p> <p><i>Reporting is summarised in this report as the Children’s Service Action Plan has been subject to extensive reporting at various BCP Council forums, including Council, Cabinet and Overview and Scrutiny committees, Internal Boards and by Ofsted through their inspection regime.</i></p> <p>The Statutory Direction from the DfE was introduced in April 2021, aligned with this, new governance arrangements were introduced by the DCS into Children’s Services offering a robust and detailed approach to governance across the whole service, corporately and including our BCP partners. This has brought a greater degree of understanding, transparency and accountability that it is everyone’s responsibility to safeguard children and young people in BCP. The senior leadership in Children’s Services are held responsible for the delivery of their service improvements through the Quality and Performance Board and alongside corporate services and partners via the Children’s Services Improvement Board. These boards are crucial in offering clear direction, support and challenge, establishing the way forward in our improvement journey and with the pace required.</p> <p>Partnerships are growing stronger and this is demonstrated by the key values that have been developed and introduced to underpin all SEND. These are trust, honesty, transparency, empathy, communication, belonging and respect. There is a strong commitment to creating and embedding a culture that embodies these values, and the SEND system is being held to account through the SEND Improvement Board.</p> <p>There are many ‘eyes’ on BCP Children’s Services, ensuring that we are heading in the right direction. It is reported by the DfE Advisor, through Ofsted Inspections of Children’s Social Care and SEND Monitoring visits that progress and improvements across a number of areas are being made, and BCP Children’s Services is where they expect us to be, at this time in the improvement journey. The feedback clearly states confidence in Children’s Services to continue this improvement with the right support at the right time from the corporate centre.</p> <p>There is a well-considered Quality Assurance Framework which is being embedded into practice across the service, it still requires more consistency of application in some areas, but this is being addressed through the leadership and management. The most significant challenge remains the recruitment and retention of social work staff recently a pay review has been agreed for Social Work staff, outside of the Corporate Pay and Award initiative in order to recruit and retain a highly skilled workforce.</p> <p>Children are at the heart of the improvement journey, and their voices run through every priority of the improvement plan. The plan will continue to improve outcomes and experiences for children and young people; their voices, views and influence are integral to success.</p> <p>The 3 main pillars of Children’s Services – social care, SEND and inclusion practice in schools – all continue to need further sustained improvement, this improvement journey is a marathon not a sprint, and work is ongoing to integrate our improvements to become more efficient and effective in how we approach improvement programmes. Whilst we are starting to see the results of some of the improvements we have made there, is still a need to become consistent in delivery as well as embedding the improvements at pace. Staff stability through the new recruitment campaign will support this as we move forward. The quality of practice needs to continually improve at pace to impact on the lived experience of our children, young people and families.</p> <p>We have a highly committed workforce, with staff joining us from good and outstanding local authorities, all of whom are committed to this improvement journey, however we recognise there is still work to be done on developing the operating culture in BCP we all aspire to.</p>		
<p><b>Action Points</b></p>	<p><b>Responsible Officer</b></p>	<p><b>Target Date</b></p>	
<p>Links to November 2022 <a href="#">Improvement update</a> and progress against <a href="#">Written Statement of Action</a>.</p>	<p>Corporate Director – Children’s Services</p>	<p>Links to November 2022 <a href="#">Improvement update</a> and progress against <a href="#">Written Statement of Action</a>.</p>	

2 **Governance Arrangements with External Bodies (shaded text below shows what was originally reported to A&G Committee in July 2022)**

In previous years' AGS, the Council recognised that it needed to ensure that its governance arrangements with the organisations it engages with are sufficiently robust and fit for purpose. Last year, the areas of Parks Charities and Trusts, and Partnerships were specifically identified for improvement.

During 2021/22, significant work has been undertaken to improve the governance in these areas. For Parks, this has included presentations to Audit & Governance Committee, implementation of many of the Internal Audit recommendations, and re-instigation of Board meetings for the Lower Gardens Trust (although these were not in place throughout 2021/22). However, several elements are still outstanding, notably completion of the legal review into Parks Trusts arrangements to achieve consistency and sound governance.

As part of the Council's Transformation programme, the Communities and Partnerships workstream is progressing work to strengthen partnership governance. Good progress has been made on all the action points on last year's AGS, a corporate partnership register, corporate oversight and guidance, however, this has yet to be completed and implemented.

Action Points	Responsible Officer	Target Date	Update – December 2022
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**1. Parks, charities and trusts**

<p>Completion of review(s) of Parks Trust arrangements to ensure sound governance and achieve consistency</p>	<p>Chief Operations Officer &amp; Monitoring Officer</p>	<p>31/12/22  (Revised date of 31/3/23 for wider governance review)</p>	<p>A comprehensive review has been completed, by appointed third-party solicitors, of arrangements between the Parks Foundation and BCP Council. The following documents and process have been drafted and are in the process of being approved and adopted:</p> <p><u>Memorandum of Understanding (MOU)</u> – an update of the previous document and describes the overall relationship and responsibilities of each organisation.</p> <p><u>Project Agreement</u> – this is a template that will be used for each project undertaken in partnership between the two organisations.</p> <p><u>Parks (in trust) decision process</u> – this document outlines the governance and a process for how decisions on the operation of smaller scale projects / assets can be made. It gives specific criteria for such decisions and a process for reaching them.</p> <p>A wider Parks Governance Review is being undertaken by one of the Council's senior solicitors and will initially focus on providing a 'fact sheet' for each trust clarifying:</p> <ul style="list-style-type: none"> <li>• Its purpose, what it is and isn't allowed to do (with references to attendant laws)</li> <li>• What should happen if there are discretionary decisions (who has authority to decide and on what basis)</li> <li>• How many and who the trustees should be (Councillors, officers, third parties, other)</li> <li>• What meetings / reporting needs to be in place</li> <li>• Relationships with third party organisations (including the Parks Foundation)</li> </ul> <p>This work is progressing, it is anticipated this will be completed by the end of March 2023. The initial draft will be shared with Internal Audit to ensure it satisfies recommendations made in previous audit reports.</p> <p>It is intended that these 'fact sheets' will be incorporated into Trust Board training and can be shared with the Audit &amp; Governance Committee.</p>
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<b>2. Partnerships Governance</b>			
<p>BCP Council Partnership governance will be strengthened through the development of the following:</p> <p>a) Agreement of a partnership definition</p> <p>b) Production and maintenance of a Corporate Partnership Register</p> <p>c) Establishment of corporate oversight of partnerships</p> <p>d) Production of corporate partnership guidance to supplement Financial Regulations, which can also be used for compliance purposes</p> <p>This will initially be lead through the Communities and Partnership Transformation workstream but, if necessary, a new corporate lead will be identified and appointed to take these forward.</p>	<p>Chief Executive</p> <p>Head of Community Engagement</p>	31/3/23	<p>Officers from Communities, Policy and Research, Internal Audit and Development, led by the Director of Operations, are working together to produce the guidance and documentation identified. This will also include the Partnership recommendations made by the external auditor in the 2020/21 Annual Report.</p> <p>Draft documentation has been produced. Roll out of the guidance and register will by 31<sup>st</sup> March 2023 as planned.</p>

3	<p><b>Delay in the completion of the 2020/21 external audit (<i>shaded text below shows what was originally reported to A&amp;G Committee in July 2022</i>)</b></p> <p>The Council considers that the delay to the completion of the external audit of the 2020/21 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is caused by national issues regarding the accounting treatment and auditing of infrastructure assets which is affecting approximately 50% of local authorities, and therefore, out of the Council's direct control to take actions to remedy the situation. However, the Council continues to work with the external auditor to provide necessary data and support and to respond to matters raised. In addition, the Council's own mechanisms, such as internal accounting processes and controls, reporting to officers and Members, publication of accounts and internal audit continue to provide assurance over financial management.</p> <p>Given that the matter is a national one outside of the direct influence of the Council, no internal action plan is appropriate.</p>		
	<p><b>Update – December 2022</b></p> <p>The national issue regarding the accounting treatment and auditing of infrastructure assets is close to interim resolution via an opt in statutory override which was passed into legislation on 25<sup>th</sup> December 2022. External Auditors will still need to identify their exact response to this legislation and their audit approach. Notwithstanding the delay on the Statement of Accounts element, the external auditors have published the Annual Report for 2020/21 containing their opinion on the value for money arrangements (including financial sustainability, governance and improving economy, efficiency and effectiveness) and this was reported to the Audit &amp; Governance Committee in October 2022. There have also been delays in receiving the audit opinion from the auditor of the Dorset Pension Fund and the knock on implications for the BCP Council Statement of Accounts. Both issues have been comprehensively reported to Audit &amp; Governance Committee during the calendar year 2022. The wording in the AGS has been slightly amended to take account of this latter pension fund issue.</p>		

## Consideration of public inspection and additional potential significant governance issues

7. The AGS conclusion is required to cover the year ending 31st March 2022 but also "...to the date of the audited publication of the Statement of Accounts." To this end the Council should consider amending the AGS, should the passing of time reveal any new significant governance issue and that issue likely existed in the relevant period covered by the AGS, in this case up to 31<sup>st</sup> March 2022.
8. Two potential issues have been considered:

### 8.1 **Response to public inspection of accounts (August 2022)**

One detailed response (cited as 'observations') was received in connection with the AGS during the public inspection period. The introduction of the observations began:

*"I was astounded to find, on reading the draft annual governance statement (AGS) for BCP Council, that with the exception of children's services and two more recondite matters, the Council is thought to have 'effective and fit-for-purpose governance arrangements'. That is certainly not my perception as a BCP resident, though admittedly, the statement only covers the period to 31 March 2022, and some of the more serious assaults on BCP's governance systems have been implemented since that date. The most damaging of those attacks was probably the BCP administration's assault on scrutiny."*

and went on to detail issues including:

- Abolition the Overview & Scrutiny Board, reduction in number of scrutiny meetings, political balance and use of party whips
- Cabinet assistants on Scrutiny and Audit & Governance Committee
- Operation of the Standards Committee
- Political balance on scrutiny committees
- Irregularities on the Planning Committee
- Awarding of Additional Restriction Grants
- Last minute publication of agendas and reports

The Statutory Officer Group (SOG) - made up of the Chief Executive, the Monitoring Officer, the Chief Finance Officer & Section 151 and the Chief Internal Auditor) have considered the views of the respondent and have concluded that, irrespective of personal or political views and preferences on the matters raised, the committee and political arrangements mentioned are in line with both legislative and constitutional requirements for the establishment and operation of committees and that Council decision-making processes were followed in all cases; no changes to the AGS will therefore be made.

The awarding of Additional Restriction Grants (ARG) has been subject to internal and external scrutiny, review and audit. These include:

- The Ombudsman response to a particular resident
- The Department for Business, Energy & Industrial Strategy (BEIS) audit outcome, including the review of a specific grant where a BCP councillor requested further assurance
- Scrutiny by this Committee
- Internal Audit report and recommendations (which have been actioned)
- Freedom of Information (FOI) responses to residents and other third parties

Whilst there have been some lessons learnt and some recommendations made from these reviews, no significant governance issues or weaknesses were identified, no changes to the AGS will therefore be made.

The commentator correctly recognises that, during 2021/22, BCP Council met statutory obligations with regard to publication of agendas. In exceptional circumstances reports or specific content of reports may be marked 'to follow' at the point of publication. This can occur when a decision is required to meet a statutory or contractual deadline, but specific information or data, such as published detail of the Government financial settlement, is required to finalise a report.

## **8.2 Financial sustainability**

On-going financial sustainability is undoubtedly an issue for most local authorities, BCP Council included. Under the 2020 Code of Audit Practice, Grant Thornton as the Council's External Auditors, were required to provide an Auditor's Annual Report containing a commentary on their view on arrangements for securing value for money. Grant Thornton, at a special meeting of this Audit & Governance Committee on 20 October 2022, presented their Auditor's Annual Report for 2020/21 and identified weaknesses in the Council's financial sustainability arrangements and key recommendations were made. The weaknesses identified were not of a governance nature and the same report concluded there were no identified significant governance weaknesses identified.

Furthermore, the more acute financial sustainability issues, for BCP Council, identified by Grant Thornton, have largely existed for the current financial year 22/23 and the forward look period covered by the Medium-Term Financial Plan. These issues exist as a result of wider 'cost of living' inflationary pressures and outcomes against the specific risks taken by BCP Council when setting the 2022/23 budget and are not as a result of significant governance weaknesses.

The decision whether to include 'financial sustainability' in the AGS for the 2022/23 financial year will be made following the process outlined in paragraph 5 of this report.

9. The AGS for 2021/22, (for the period ending 31<sup>st</sup> March 2022) will therefore not be retrospectively amended for the two issues identified at 8.1 or 8.2 and will remain as presented to this Committee on 28 July 2022 and as summarised previously in the action plan update of this report.

## **Update against the Financial Management Code Action Plan**

10. As required by best practice, the 2021/22 AGS also considered progress towards compliance with the Financial Management Code (FM Code), which provides guidance for good and sustainable financial management. The updated self-assessment reported in July concluded that BCP Council was compliant with the FM Code, with a number of opportunities for further improvement remaining.
11. Table 2 shows that progress continues against the FM Code, including the public survey on the Council's budget. The implementation of the new financial system from April 2023 will bring further improvements.



**Table 2 - showing Update against Actions required to achieve full compliance with Financial Management Code:**

	<b>Issue</b>	<b>Recommendation</b>	<b>Update – December 2022</b>
<b>1</b>	The Children's Services capital strategy is under-developed with no new projects included in the 2021/22 programme and a residual programme of less than £1million in future years.	A Children's Services capital strategy and detailed plan to be prepared - aiming for Cabinet in July 2021 and going forward to be refreshed annually as part of the February budget report.	<b>Implemented (as reported June 2022)</b>
<b>2</b>	An analysis of the overall capital requirements of the council's estate is not yet in place to inform a capital strategy or estate management arrangements. This is in progress supported by consultants.	The physical estate needed to support future service delivery and corporate objectives should be established alongside future estate management arrangements to determine an appropriate corporate landlord model for the council. Capital strategy to be informed by the review.	<b>In progress</b> - The Council is now committed to creating a Corporate Landlord Model. The restructure of the Corporate Leadership Team puts in place the structure to enable the Council to take the next important step towards successful implementation.
<b>3</b>	The Council involves a range of stakeholders in setting the annual budget, this includes specific consultation on service-based savings plans but not general consultation with residents.	Consideration of whether the budget process would be enhanced by any additional consultation processes.	<b>In progress</b> - Consultation with residents launched on 18 November 2022 for the 2023/24 budget. The public survey is available on the council's consultation and engagement platform (Engagement HQ) at <a href="https://haveyoursay.bcpccouncil.gov.uk/budget">haveyoursay.bcpccouncil.gov.uk/budget</a> and was open until Friday 23 December. Hard copy surveys were also available at local libraries.
<b>4</b>	The Council undertakes regular reporting of key elements of the balance sheet such as projected reserves and transformation costs in quarterly Cabinet reports. Collection fund, bad debt provision and collection rates are reviewed periodically.	Determine if further balance sheet and other items (e.g. procurements undertaken) should be monitored by CMB.	<b>In progress</b> - The transformation programme is progressing with financial reporting requirements currently under review in the final phase of the implementation for April 2023.
<b>5</b>	The detail of fixed assets for accounting purposes is maintained on spreadsheets with the inherent risk of data corruption or loss going undetected with little system reliance. There is no link with the subsidiary systems that provide other asset management information.	The main accounting systems, including for fixed asset recording, is an early work package for the strategic investment partner and will take time to implement.	<b>In progress</b> - the new system implementation has moved to the construct stage of the project with deployment planned from April 2023.

### **Options Appraisal**

12. An options appraisal is not applicable for this report.

### **Summary of financial implications**

13. There are no direct financial implications from this report.

### **Summary of legal implications**

14. There are no direct legal implications from this report.

### **Summary of human resources implications**

15. There are no direct human resources implications from this report.

### **Summary of sustainability impact**

16. There are no direct sustainability impacts from this report.

### **Summary of public health implications**

17. There are no direct public health implications from this report.

### **Summary of equality implications**

18. There are no direct equality implications from this report.

### **Summary of risk assessment**

19. There are no direct risk implications from the report. However, failure to improve the governance arrangements in the areas identified will mean those risks are not addressed.

### **Background papers**

Annual Governance Statement 2021/22 (Audit & Governance Committee 28/7/22)

### **Appendices**

There are no appendices to this report.