

BCP Council  
Annual Governance Statement  
2022/23  
*Pre-audited*

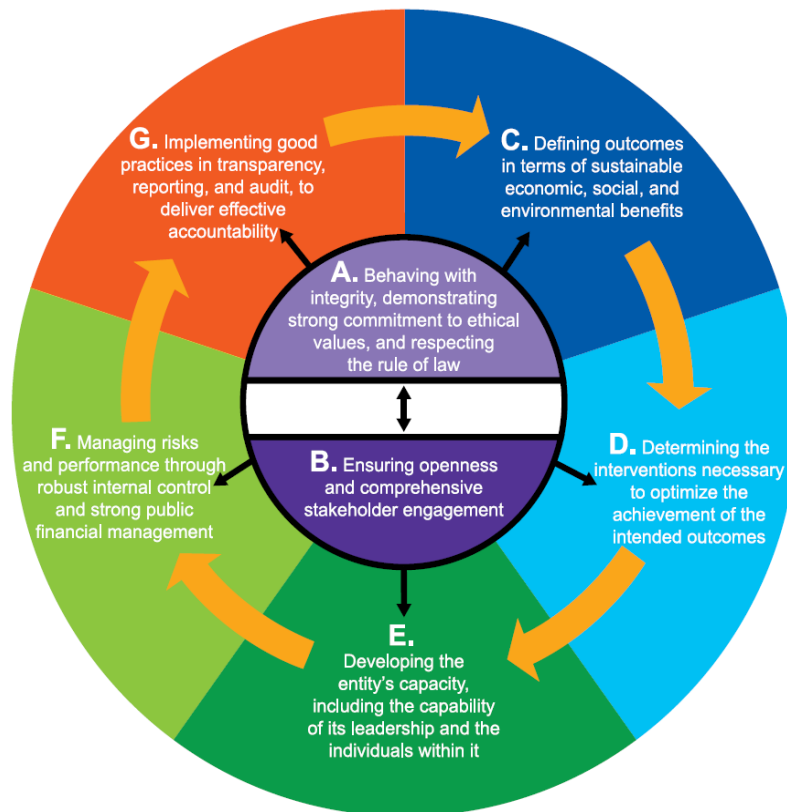
July 2023 — *This pre-audited draft will be presented to Audit & Governance Committee for approval.*

## Scope of Responsibility

- 1 BCP Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and accounted for and used economically, efficiently and effectively.
- 2 In discharging this overall responsibility, BCP Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and arranging for the management of risk.
- 3 To this end, BCP Council has adopted a Local Code of Governance which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of this Code is available on the [Council's website](#).
- 4 The Annual Governance Statement (AGS) explains how BCP Council complied with the Code and met the requirements of the Accounts and Audit Regulations 2015 (and as amended by the Accounts and Audit (Amendment) Regulations 2022) in relation to its preparation, approval and publication.

## The Purpose of the Governance Framework

- 5 The governance framework comprises of the systems and processes, culture and values by which the authority is directed and controlled, and by which it accounts to, engages with and lead its communities. It includes arrangements to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate services and value for money.
- 6 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It does not eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood and potential impact of those risks being realised; and to manage them efficiently, effectively and economically.
- 7 The key elements of the Council's governance framework are identified in the [Local Code of Governance](#) which is consistent with the seven best practice principles of the *International Framework: Good Governance in the Public Sector* (CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*) as shown in the diagram below.



- 8 BCP Council's governance framework was in place for the year ended 31st March 2023 and up to the date of the approval of the Statement of Accounts.

### Review of Effectiveness of the Governance Framework

- 9 BCP Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including how it meets the principles above and the effectiveness of the system of internal control. This includes how its vision, priorities and objectives, as articulated in the corporate Strategy and Big Plan, are delivered, effectiveness of decision making, and governance of partnerships and group entities.
- 10 The AGS is the method by which we record the outcome of this review. The AGS also includes the Council's group entities as identified in its Statement of Accounts.
- 11 As part of the review, the Council considers both in-year, continuous elements and year-end review processes.
- 12 Many of the elements identified in the Local Code of Governance provided on-going review of the effectiveness of the governance framework during the 2022/23 financial year including:
- Democratic processes, such as Full Council, Cabinet, Overview and Scrutiny functions, which operated in line with the Council's Constitution.

- The Audit and Governance Committee which provided independent assurance to the Council on the effectiveness of governance arrangements, risk management and the internal control environment.
- Established arrangements for senior officers to meet as part of Corporate Management Board, Transformation Board and Directors Strategy Group.
- Statutory Officers Group, comprising of the Chief Executive, Monitoring Officer and Chief Financial Officer, which met regularly throughout the year. The Head of Audit & Management Assurance also attended these meetings.
- The role of the Chief Financial Officer (CFO) in terms of non-statutory codified professional practice, legislative and statutory responsibilities, and corporate governance requirements is set out in the Council's Constitution. The Council's financial management arrangements conformed to the governance requirements of the CIPFA Statement of the Role of the Chief Financial Officer in Local Government (2016). The Director of Finance is designated as the Council's CFO.
- The Council's assurance arrangements also conformed to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019). The Head of Audit & Management Assurance was designated as the Council's Head of Internal Audit.
- The Director of Law & Governance has been designated as the Monitoring Officer, whose functions include a duty to keep under review the operation of the Constitution to ensure it is lawful, up to date and fit for purpose.
- Review of and changes to the Constitution following the work of the Constitution Review Working Group and Monitoring Officer.
- The Council reached a good level of performance against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This means the organisation has put in place effective arrangements across many aspects of the counter-fraud code and undertook positive action to manage its risks.
- Internal Audit, who provided an independent appraisal function and assurance on the adequacy of internal controls and of risks to the Council's functions and systems.
- External Audit, to whom the Council provides support, information and responses as required, and ensures findings and recommendations are appropriately considered.
- Regular scrutiny of financial monitoring reports by Councillors and Officers.
- External reviews and inspections, the results of which are reported and acted upon as appropriate. These included, for example:
  - Local Government Association Peer Review / progress report
  - Department for Levelling Up, Housing and Communities (DLUHC) letter (Jan 23)
  - Grant Thornton – Auditor's Annual Report on BCP Council 20/21 (Sept 22)
  - Health and Safety Executive (HSE) Improvement Notices
  - Judicial review of Sexual Entertainment Venue licencing policy
  - Children's services Ofsted & others e.g. Inspecting Local Authority Children's Services (ILACS) Monitoring Visit Letters
  - Safeguarding Review for Adult Social Care
  - DLUHC Assurance Review – commenced in the year but not yet completed or reported

- 13 A year-end assessment of the effectiveness of the governance arrangements was undertaken, using sources of evidence including:
- Completion of Management Assurance Statements by all Service Directors
  - Self-assessments for group entities
  - Internal Audit documentation and reports
  - Chief Internal Auditor's Annual Report
  - Findings from internal and external reports
  - Follow up of the 2021/22 AGS action plan
- 14 The Chief Executive undertook a governance review during 2022/23 for which the BCP Council Assurance Review report was produced, and a series of recommendations raised.

### **Covid-19 – Impact of Pandemic on the Governance Framework**

- 15 There were no significant remaining impacts on the governance framework from the Covid 19 pandemic during 2022/23.
- 16 However, the pandemic has had long lasting impacts on some areas of the BCP community, the economy and wider public services, which Council teams are continuing to support, often in partnership with other organisations, such as through the Economic Development team. The impacts on health services are particularly strong and ongoing and that has affected priorities and objectives around social care and hospital discharges.
- 17 There remain some operational and financial impacts on the Council itself, which are now managed by through the Council's normal governance arrangements.
- 18 No significant on-going governance issues caused by the pandemic have been identified.

### **Financial Management Code**

- 19 The Financial Management Code (FM Code) provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively.
- 20 As required by best practice, senior finance officers at BCP Council have undertaken self-assessments against the FM Code. Following the initial self-assessment in 2020/21, an action plan was produced and monitored with a mid-year update going to Audit & Governance Committee.
- 21 An updated self-assessment for 2021/22 concluded that BCP Council was compliant with the FM Code. Progress against all the actions has been made, with a number of opportunities for further improvement remaining. Audit & Governance Committee were most recently updated in January 2023 and the table below shows the current position:

	Issue	Recommendation	Update at June 2023
1	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</b> (as reported June 2022)
2	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.
3	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>Implemented</b> - Consultation with residents was launched in November 2022. The public survey was available on the council's consultation and engagement platform and hard copy surveys were available at local libraries. This will be repeated for 24/25 budget setting.
4	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 the new financial system implemented from April 2023. Financial reporting requirements are under review during the first quarter of 2023/24 with an agreed suite of reports expected to be available in the second quarter.
5	The detail of fixed assets for accounting purposes is maintained on spreadsheets	The main accounting systems, including for fixed asset recording, is	<b>In progress</b> - The new system implementation from 1 April 2023 includes a

	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.	an early work package for the strategic investment partner and will take time to implement.	fixed asset accounting module. The records held on spreadsheets as at 31 March 2023 have been migrated to the new system where they will be maintained going forward.
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### Evaluation, Conclusion and Significant Governance Issues

- 22 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31<sup>st</sup> March 2023 and to the date of the publication of the Statement of Accounts, it has effective, fit-for-purpose governance arrangements in place in accordance with the governance framework.**
- 23 The Council's Corporate Management Board (CMB) considered the effectiveness of the governance arrangements, including potential significant governance issues arising from the review, using the following criteria as a guide:
- The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
  - The governance issue may, or has, result/ed in a need to seek additional funding to allow it to be resolved, or may, or has, result/ed in a significant diversion of resources from another service area;
  - The governance issue may, or has, led to a material impact on the accounts;
  - The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
  - The governance issue may, or has, be/en publicly reported by a third party (e.g. external audit, Information Commissioner's Office) as a significant governance issue;
  - The governance issue has resulted in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.
- 24 The Chief Executive's BCP Council Assurance Review highlighted a series of governance issues, including those relating to culture and leadership, political and financial governance and capacity and capability to improve. The Review has been included as Annex 1 to this report and the implementation of the recommendations raised within it included as part of the Action Plan monitoring process.
- 25 Three further specific issues have been identified as significant governance concerns and have been included in the Action Plan, relating to the management and risks posed by the:
- Dedicated School Grant (DSG)
  - BCP FuturePlaces Ltd, wholly-owned company
  - Poor completion rates of mandatory training by officers, a persistent issue

- 26 In addition, DLUHC are currently undertaking a governance review in response to the Council's application for a capitalisation direction during 2022/23, which has subsequently not been required due to changes in the financial strategy. The findings of the DLUHC review have not yet been finalised, however the Cabinet and CMB are committed to addressing any governance concerns identified.
- 27 There were also a series of other potential issues identified for inclusion in the AGS. Whilst these were undoubtedly issues for the Council, they did not meet the Council's significant governance issue criteria, for example, they may have been governance related weaknesses, but in a relatively narrow scope of the Council's business, or they may have been operation concerns rather than governance issues. Some of these are shown below as follows:
- The Health and Safety Executive issued three improvement notices during 2022/23, each of which have now been resolved following urgent response by the Council.
  - The Council was subject to a Judicial review of Sexual Entertainment Venue licencing policy in respect of the evidence analysis and review of the equality impact assessment.
  - Work to rectify a historic site licence breach as identified with the Environment Agency is on-going and further dialog and work will be required.
  - Seafront pop-up restaurant – the Council incurred a financial loss of circa £175,000.
- 28 The 2021/22 AGS identified three significant governance issues as outlined below, for which an action plan was produced and monitored. A detailed follow up report was presented to the Audit and Governance Committee in January 2023, and a further update as at May 2023 is summarised below:

2021/22 Significant Governance Issue	Progress as at May 2023
Governance of Children's Social Services	<b>This issue is being removed from the AGS</b> – the Council considers that it now has robust governance arrangements in place to deliver the sustained improvements required in Children's Services. This includes Children's Improvement Board and associated action plans, SEND Board, regular reporting to CMB and Children's Overview & Scrutiny, regular inspection by Ofsted.
Governance Arrangements with External Bodies a) Parks, charities and trusts b) Partnerships	<b>This issue is being removed from the AGS</b> – a) Only one item now remains outstanding in relation to parks governance review work, which is due to be presented to Cabinet by September. This no longer meets the Council's criteria as a significant governance issue b) Partnership guidance has been produced and compilation of the Corporate Partnership Register is in process.



<p>Delay in the completion of the 2020/21 external audit</p>	<p><b>This issue remains on the AGS but has been updated for relevant dates</b> – Although the 2020/21 external audit has now been completed, a similar issue has now occurred with the 2021/22 audit, which is outstanding as of May 2023. Therefore, this has been included as a significant governance issue. There is a plan in place with external audit to conduct both the 2021/22 and the 2022/23 audits during the same period, summer/autumn 2023.</p>
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Table 1 - 'Significant Governance Issues' and Action Plan

1	<p><b>BCP Council Assurance Review</b> – the review (see Annex 1) identified a range of governance areas where improvements could be made. Recommendations were made in the following areas:</p> <ul style="list-style-type: none"> <li>• Council meetings and decision making</li> <li>• Cabinet and leadership</li> <li>• Councillor behaviour</li> <li>• Further issues to address: <ul style="list-style-type: none"> <li>• BCP FuturePlaces Ltd</li> <li>• Subsidiary Companies</li> <li>• Finance</li> <li>• DSG</li> </ul> </li> </ul>		
	<b>Action Points</b>	<b>Responsible Officer</b>	<b>Target Date</b>
	CMB to oversee implementation of recommendations raised in the BCP Council Assurance Review.	Chief Executive (CMB)	September 2023

2	<p><b>Dedicated School Grant (DSG)</b> - The overall level of council reserves is of concern because of growing deficit on the Dedicated Schools Grant (DSG) budget is taken into consideration. At 31 March 2023 the Council is predicted to have a DSG deficit of £37m which is particularly impacted by the expenditure on the High Needs block and support for Education, Health, and Care Plans (EHCPs) for young people.</p> <p>The budget for 2023/24 assumes this deficit will grow to £64m by 31 March 2024 at which point the Council will have overall negative reserves. The presence of a statutory instrument allows the Council to ignore this deficit until the 2026/27 financial year at which point the deficit is currently forecast to have increased to around £160m without corrective action. Whilst the long-term impacts are potentially significant, the short-term effects are also impacting on the Council's budgets because of the cost to the Council of managing the cashflow of the payments, at an estimated annual revenue cost of around £2.5m for 2023/24 and growing in future years. This is causing an effective cut of service provision to that degree.</p> <p>Although part of the DfE Delivering Better Value in SEND programme the Council is no clearer as to how this deficit will be funded. The Council should consider how best to manage the future risks and current costs associated with this significant issue.</p> <p><i>(Extract from BCP Council Assurance Review)</i></p>		
	<b>Action Points</b>	<b>Responsible Officer</b>	<b>Target Date</b>
	The Council should consider how best to manage the future risks and current costs associated with the issue of continued and growing DSG overspend. Councillors and officers need to consider the options for DSG provision and determine the most appropriate strategy, through liaison with the DfE.	Chief Executive and Director of Children's Services	September 2023

## Appendix 1

3	<p><b>BCP FuturePlaces Ltd</b> - The governance of BCP FuturePlaces Ltd, the Council's URC (Urban Regeneration Company) has been a matter of significant local concern. The Leader and Deputy Leader were both appointed to the Board in the formative stages and have only recently been able to step back from the Board as a very strong team of the independent Chair and new non-executive directors have been appointed. New ongoing consultative arrangements with a cross-party group of councillors have been established. The Council has appointed the Chief Executive to be the Shareholder Representative on the board and other Council officers attend board meetings in an advisory capacity including the S151 officer, Monitoring Officer and Director of Infrastructure.</p> <p>The commissioning arrangements are established but scope creep is a danger, and some projects have become wider and less focussed than originally intended, increasing the financial risk to both the Council and BCP FuturePlaces Ltd. There is, as a result, reduced focus on the core projects which means they are taking longer to deliver than first envisaged.</p> <p><i>(Extract from BCP Council Assurance Review)</i></p> <p>Both the (former) Leader and Deputy Leader have now resigned from the Board and four independent non-executive directors have now been appointed.</p>		
	<b>Action Points</b>	<b>Responsible Officer</b>	<b>Target Date</b>
	<p>Review the operation of the governance arrangements following the appointment of the non-executive directors to ensure governance and structure is effective and fit-for-purpose.</p> <p><i>(action point based on CMB/Assurance Review)</i></p>	<p>The Chair/non-executives</p> <p>Chief Executive / CMB</p>	<p>September 2023</p>
	<p>The adopted funding regime for BCP FuturePlaces Ltd contains risk for both parties, which could be reduced by a mixed model of funding.</p> <p>The Council should consider working with BCP FuturePlaces Ltd to identify a new, mixed, funding regime for 2023/24 which would directly cover more of the costs as they are incurred to reduce future risk.</p> <p><i>(from Assurance Review)</i></p>	<p>Chief Executive and Director of Finance</p>	<p>September 2023</p>
	<p>The Council and BCP FuturePlaces Ltd should work together to consider the scope of regeneration projects being pursued to bring the core projects more into focus and to programme non-core schemes further out to balance the projected workload and pipeline more evenly.</p> <p>The governance and workload review of BCP Future places to be carried out by the new Board will address this issue.</p> <p><i>(from Assurance Review)</i></p>	<p>The Chair/non-executives</p> <p>Chief Executive / CMB</p>	<p>September 2023</p>

## Appendix 1

4	<p><b>Delay in the completion of the 2021/22 External Audit</b> – The Council considers that the delay to the completion of the external audit of the 2021/22 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is principally caused by wider sector problems with both auditor capacity and the increase complexity of recent audit requirements.</p> <p>There is a plan in place with external audit to conduct both the 2021/22 and the 2022/23 audits during the same period, summer/autumn 2023. This plan has been, and will continue to be, agreed and reviewed by the Audit &amp; Governance Committee, consequently no AGS Action Points are necessary.</p>
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5	<b>Mandatory Training</b> - Less than 50% of officers have completed their mandatory training.		
	<b>Action Points</b>	<b>Responsible Officer</b>	<b>Target Date</b>
	<p>Managers to review the mandatory training dashboards in SkillGate to ensure full compliance.</p> <p>Managers to provide teams dedicated work time to complete any outstanding mandatory training.</p> <p>Managers whose teams have completed their mandatory training will show as compliant on SkillGate.</p> <p>Managers whose teams who have not completed their mandatory training will show as non-complaint on Skill-Gate.</p> <p>Regular reports on managers compliance will be shared with senior leadership team to ensure that BCP Council is compliant.</p>	Corporate Directors, Directors & SLN	December 2023

This statement explains how BCP Council has complied with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* and also meets the requirements of the Accounts and Audit Regulations 2015.

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit and Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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**G Farrant - Chief Executive of BCP Council**

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**Date**

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**Cllr V Slade - Leader of BCP Council**

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**Date**