



AUDIT AND GOVERNANCE COMMITTEE



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| Report subject | Annual Governance Statement (AGS) 2023/24 and Annual Review of the Local Code of Governance |
| Meeting date | 25 July 2024 |
| Status | Public Report |
| Executive summary | <p>The Accounts and Audit Regulations 2015* require councils to produce an Annual Governance Statement (AGS) to accompany its Statement of Accounts.</p> <p>The AGS concludes that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. This reflects the significant steps taken to improve governance following the council being issued with a best value notice.</p> <p>After considering all the sources of assurance (for governance arrangements), BCP Council Corporate Management Board identified that the following significant governance issues existed:</p> <ul style="list-style-type: none">• Best Value Notice• Dedicated School Grant and Department for Education Statutory Direction for special educational needs and disability (SEND) services• Delay in the completion of previous years’ External Audit• Mandatory Training <p>An action plan to address the significant governance issues has been produced and is being implemented. An update against the action plan will be brought to Audit and Governance Committee in January 2025.</p> <p>*and as amended by the Accounts and Audit (Amendment) Regulations 2024</p> <p>Only minor amendments to the Local Code of Governance have been necessary to keep pace with the Council’s changing governance arrangements.</p> |
| Recommendations | <p>It is RECOMMENDED that:</p> <p>a. The ‘pre-audited’ Annual Governance Statement 2023/24 is approved</p> |

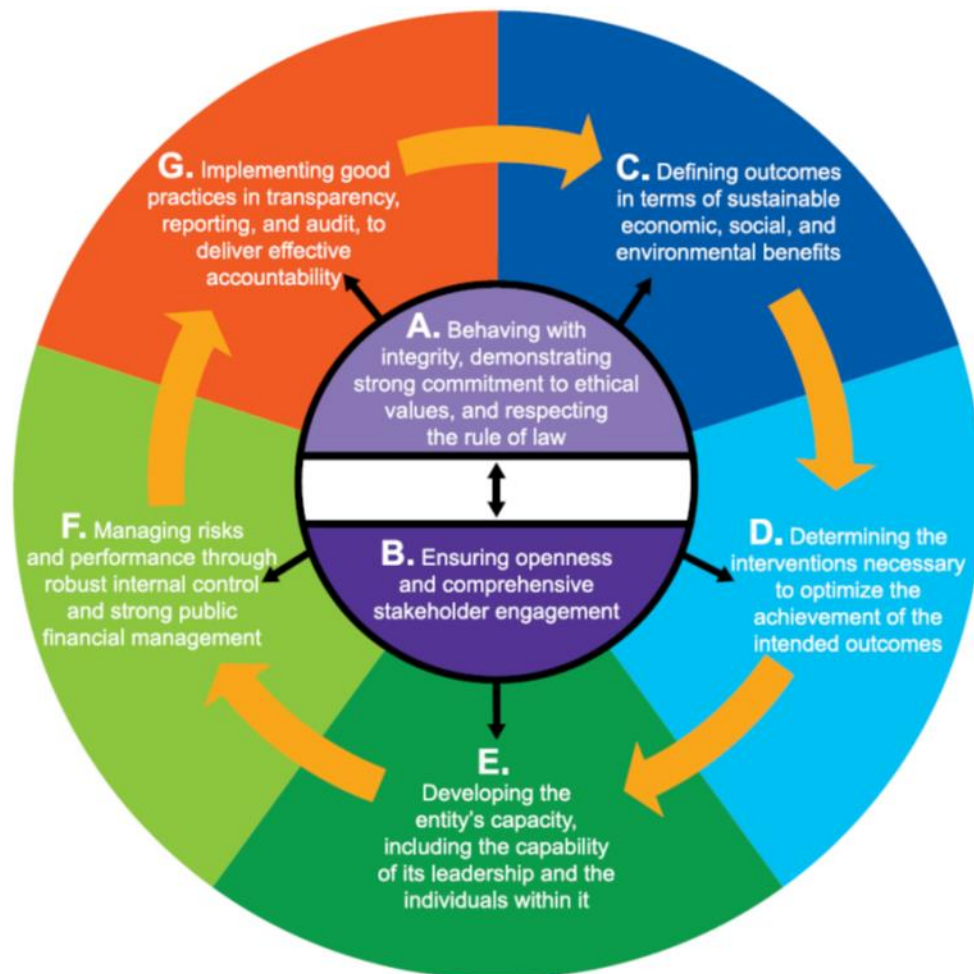
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| | b. The annual update of Local Code of Governance is approved. |
| Reason for recommendations | The Accounts and Audit Regulations 2015* require authorities to conduct a review at least once a year of the effectiveness of its governance arrangements and, following the review, approve an AGS which must accompany and be published with the Council's Statement of Accounts. |
| Portfolio Holder(s): | Cllr Mike Cox, Portfolio Holder for Finance |
| Corporate Director | Graham Farrant, Chief Executive |
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| Wards | Council-wide |
| Classification | For Decision |

Background

1. The Accounts and Audit Regulations 2015* require the Council to produce an Annual Governance Statement (AGS) following review of its governance framework. This review is carried out in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government' framework and guidance.
2. The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and by which it is accountable to, engages with and leads the community.
3. BCP Council's Local Code of Governance describes the Council's governance framework using the seven principles of governance identified by best practice, shown in diagram 1 below.
4. The AGS comments on the effectiveness of these arrangements and identifies any significant issues (weaknesses) for the Council to address.
5. The draft AGS was published as part of the Statement of Accounts statutory public inspection period from 1 June to 12 July 2024, where the public had the right to inspect, make an objection to, or ask the external auditor questions about the accounts. Comments or observations were received from two residents. The comments of one resident have been considered and the comments from the other resident are for the external auditor to consider.

6. Once approved by A&G Committee the AGS will then become the 'pre-audited version' that is submitted within the Statement of Accounts to the External Auditors. At this stage it is also required to be signed by the Chief Executive and Leader of the Council, who must be satisfied that the document is supported by reliable evidence.
7. The final audited AGS is published within the Council's Statement of Accounts.
8. The Audit & Governance Committee is required to review the AGS and monitor the Council's response to the issues identified in the action plan.

Diagram 1, taken from the 'International Framework: Good Governance in the Public Sector'.



Process for Compiling the AGS

9. The AGS is compiled from a wide range of evidence sources across the Council, including in-year elements and a year-end assessment which includes:
 - Completion of Management Assurance Statements by service directors;
 - Internal documentation and reports, such as Adequacy of Shareholder Governance arrangements of BCP companies;
 - Consideration of governance of BCP companies and trusts;
 - Chief Internal Auditor's Annual Report (reported separately to this Committee);
 - Findings from internal and external reports (e.g. external audit, OFSTED);
 - Follow up of the previous year's AGS Action Plan; and
 - Consideration of any matters arising from the public inspection period.
10. A range of potential issues was identified during the evidence gathering process and was considered by BCP's Corporate Management Board (CMB). CMB recognise whether an issue constitutes a significant governance issue is one of judgement rather than fact, however the criteria below provide a framework for those judgements:
 - has/may seriously prejudice or prevent achievement of a principal Council objective or priority;
 - has/may result in a need to seek additional funding to allow it to be resolved, or has/may result in a significant diversion of resources from another service area;
 - has/may led to a material impact on the accounts;
 - has/may attract significant public interest or has/may seriously damage the reputation of the Council;
 - has/may be publicly reported by a third party (e.g. Grant Thornton, Ofsted) as a significant governance issue; or
 - has/may result in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

AGS Conclusion and areas requiring improvement

11. The AGS concludes that BCP Council **"for the year ended 31st March 2024 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."**
12. Overall governance arrangements are considered sound. The Council has a desire and a duty to improve governance arrangements, accordingly four governance issues are identified, as follows:

| | Significant Governance Issue 2023/24 | |
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| 1 | Best Value Notice | This updates the 'BCP Council Assurance Review' issue from the 2022/23 AGS . Note , the Council believes it has made significant progress in making the necessary improvements to governance, with only four specific areas remaining. |
| 2a | Dedicated School Grant (DSG) | This remains a significant governance issue from the 2022/23 AGS . Note , this issue is common to a significant number of other upper tier local authorities |
| 2b | Department for Education (DfE) 'Statutory Direction' for special educational needs and disability services (SEND) | |
| 3 | Delay in the completion of previous years' External Audit | This updates the 'Delay in the completion of the 2021/22 External Audit' from the 2022/23 AGS . Note , this issue is common to a significant number of other local authorities. It is beyond the Council's control and is being addressed nationally. |
| 4 | Mandatory Training | Although improvement has been made during 23/24, this remains a significant governance issue from the 2022/23 AGS . |

13. Whilst all four of the above issues were included in last year's AGS, the Council believes it has made significant progress on improving governance arrangements, however, because improvement plans are not yet finalised or embedded the issues remain on the AGS. A fifth item on last year's AGS, governance arrangements surrounding BCP FuturePlaces Ltd, has been addressed/superseded following the closure of the company.
14. In the case of item two above, the Department for Education (DfE) 'statutory direction' for special educational needs and disability services (SEND), issued in February 2024 has been recognised in the AGS description.
15. An action plan to address the issues has been put in place and high-level progress against these actions will be reported to Audit and Governance Committee in January 2025. However, the delay in completion of the External Audit is a national issue, caused by wider sector problems with auditor capacity and increased complexity of audit requirements. Consequently, whilst the Council has not produced an internal action plan to resolve this issue, officers continue to liaise with the External Auditor and engage in the national consultation to seek a resolution.
16. There were also a series of other issues identified for possible 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 be significant risks to the Council but not directly governance related, they may have been governance weaknesses, but in a relatively narrow scope of the Council's business, or they may have been operational concerns rather than governance issues. Some of these are shown below (not an exhaustive list) as follows:

- Inappropriate use of social media by councillors
- Corporate complaints and information governance processes
- Risks to the delivery of the Pay & Reward Project
- Adequacy of shareholder governance arrangements of BCP companies
- Adequacy of controls over and levels of usage of Agency Staff
- Interruption of Council meetings
- Adequacy of service's Schemes of Delegation
- Site specific issues, such as planning and disposal issues

17. Consequently, these issues have not been included as significant governance issues on the AGS. Should the A&G Committee feel strongly that any of these issues, or any other issue, should feature in the AGS the committee can resolve to instruct officers to include and to formulate an improvement action plan.

BCP Council – Local Code of Governance

18. The BCP Local Code of Governance is regularly reviewed to keep it as up to date as practicable. Since the inception of BCP Council, regular revisions have been necessary to reflect the evolution of the Council's governance arrangements. Only very minor tweaks were required this year. A revised version is attached at Appendix 2 for approval.

Options Appraisal

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

Summary of financial implications

20. The AGS is part of the annual Statement of Accounts and is reviewed by Grant Thornton, the External Auditor, to ensure it is consistent with their understanding of the organisation. Consequently, failure to produce an AGS and / or failure to properly disclose any matter known to the organisation would be reported by Grant Thornton.
21. Grant Thornton will reflect on the council's AGS in drawing its value for money conclusion for 2023/24 as part of their annual report to this committee.

Summary of legal implications

22. The Accounts and Audit Regulations 2015* require the Council to produce an AGS. Failure to comply would result in the Council not meeting its statutory requirements.

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

26. In respect of the Local Code of Governance, an Equality Impact Assessment Screening Tool has been completed and reviewed. The Council's Equality & Diversity policy, supporting the equality & diversity governance framework and equality impact assessment processes, which are part of the Local Code of Governance, are in place to ensure and promote positive equality outcomes for everyone.

Summary of risk assessment

27. There is a risk that failure to prepare the Annual Governance Statement in line with proper practice would breach the requirements of the Accounts and Audit Regulations 2015.
28. If timely actions are not taken to address the issues in the Action Plan arising from the AGS, then there is a risk that the Council's governance arrangements may not be adequate or consistent with good practice.

Background papers

None

Appendices

Appendix 1 – BCP Council AGS 2023/24

Appendix 2 – Local Code of Governance (June 2024 update)