

BCP Council

Annual Governance Statement

2023/24

Pre-audited

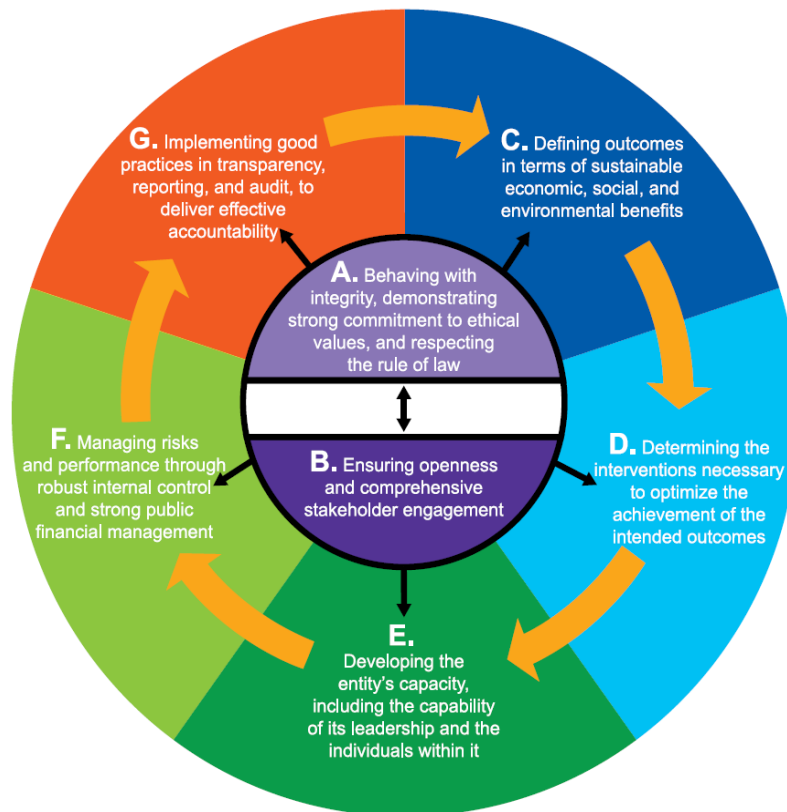
July 2024 – *This pre-audited draft will be presented to Audit & Governance Committee for approval*

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 (as amended by the Accounts and Audit (Amendment) Regulations 2024) 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 2024 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, 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 2023/24 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:
 - Department for Levelling Up, Housing and Communities (DLUHC) Assurance Review and Best Value Notice;
 - Children's Services continued to receive Ofsted monitoring visits to review progress since the service was judged inadequate in December 2021;
 - External Auditor's Annual Report for 2021/22 and 2022/23 (Value for Money arrangements report);
 - CIPFA Financial Resilience Review; and
 - LGA Peer Review of and Safeguarding Peer Challenge.

- 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;
 - Internal documentation and reports, such as Adequacy of Shareholder; Governance arrangements of BCP companies;
 - Chief Internal Auditor's Annual Report;
 - Findings from internal and external reports; and
 - Follow up of the 2022/23 AGS action plan.
- 14 Please note that this AGS has been published before 22/23 Statement of Accounts have been audited, of which the AGS is a component. Significant governance matters have only been brought forward, into the 2023/24 AGS, where the governance issue is considered relevant for 2023/24.

Financial Management Code / Financial Resilience Review

- 15 Following previous self-assessments, the Council concluded it is compliant with the Financial Management Code (FM Code), which provides guidance for good and sustainable financial management in local authorities to provide assurance that authorities are managing resources effectively.
- 16 The Council had identified three remaining areas to address to further strengthen compliance with the FM Code. However, this action plan has been superseded by the CIPFA Financial Resilience Review which looked at four key areas: Financial Management and Sustainability; Financial Governance and Decision-Making; Capital programme/companies; and Commercial assets/debt.
- 17 The report made seventeen recommendations which could be considered by the authority as part of its best value duty, the first seven of which CIPFA prioritised over the following ten. As at April 2024, all recommendations are being addressed, with 5 completed, and an additional 7 progressing well.

Evaluation, Conclusion and Significant Governance Issues

- 18 Following review and evaluation of governance arrangements, BCP Council considers that, **for the year ended 31 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.**
- 19 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:
- a) The governance issue may, or has, seriously prejudice/d or prevent/ed achievement of a principal Council objective or priority;
 - b) 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;
 - c) The governance issue may, or has, led to a material impact on the accounts;

- d) The impact of the governance issue may, or has, attract/ed significant public interest or seriously damage/ed the reputation of the Council;
- e) 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;
- f) The governance issue may, or has, result/ed in formal action being taken by the Chief Financial Officer and/or the Monitoring Officer.

20 Overall governance arrangements are considered sound. The Council has desire and a duty to improve governance arrangements. As a result, CMB determined that the following were governance issues in 2023/24 requiring improvement. An action plan is shown on Table 1.

	Significant Governance Issue 2023/24	
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)	Following the statutory direction in relation to SEND from the DfE in February 2024.
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 considered 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 .

21 Of the five significant governance issues identified in the 2022/23 AGS, four have been included in this year's AGS as shown in the table in paragraph 20. The remaining 2022/23 issue, BCP FuturePlaces Ltd, has been addressed/superseded so does not appear.

22 The Council took the decision to close BCP FuturePlaces Ltd in September 2023 and the development and investment activities have been brought in-house. As a result of 'lessons learnt' from the independent governance review and the self-assessment

review of Council companies led by Internal Audit, a new shareholder governance model was adopted and reviews of all Council companies is being undertaken in line with best practice.

- 23 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, or 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. Consequently, these issues are not included as significant 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
- 24 Whilst not appearing in the AGS as significant governance issues, there are proportionate action plans to improve governance arrangements in the areas shown in paragraph 23.
- 25 One example, in the case of inappropriate use of social media by councillors, the following actions have been agreed by the Standards Committee:
- Develop a training programme for the new municipal year building on the Councillor induction programme post-election.
 - To proactively monitor all complaints received on a regular basis as part of its work programme.
 - Review procedure for the handling of complaints.
- 26 A second example, in the case of the corporate complaints process, the establishment of a centralised monitoring, guidance and support service for complaints handling, including corporate framework, policies and procedures is planned. This will include the centralisation of complaints staff where appropriate, and the development of complaints handling charters agreed with services. A centralised complaints management system will enable a single view of corporate complaints and to facilitate effective reporting and oversight.

Table 1 - 'Significant Governance Issues' and Action Plan

1	<p>Best Value Notice – BCP Council received a 'Best Value Notice' in 2023 following the DLUHC Assurance Review. Actions from the BCP Council Assurance Review, the DLUHC external assurance review & Best Value Notice are being monitored – as at March 2024, 93% of the actions are completed and 7% are progressing well. The notice has now been removed following the successful resolution of the majority of resultant actions. However, four 'ongoing' activities remain:</p> <ul style="list-style-type: none"> • Governance review of subsidiary companies • Funding of DSG deficit • Managing future risks of growing DSG overspend • Re-instatement of standalone Budget & Policy Procedure Rules in Constitution 		
	Action Points	Responsible Officer	Target Date
	CMB to oversee implementation of the remaining recommendations from the Best Value Notice.	Chief Executive (CMB)	September 2024

2a	<p>Dedicated School Grant (DSG) - the 2023/24 high needs funding shortfall is £28.6m. There is some offset from other expenditure blocks with the in-year deficit at £27.7m overall. The accumulated deficit as at 31 March 2024 is £63.6m. BCP Council's proposal to manage the deficit over a 15-year period, as part of the national safety valve mechanism, was not agreed by the DfE and negotiations are therefore ongoing. The additional high needs deficit at outturn compared with the DSG deficit management plan projections and high level of requests for special needs assessments continuing to be received in early 2024/25 is an indication that the growing demand has not yet stabilised as required by the plan. Additionally, cashflow forecasting indicates that the council will be unable to manage the deficit in terms of cash and would need to externally borrow to meet revenue expenditure (which is not permitted) by the first quarter of 2025/26. The council has taken legal advice to clarify its position, and this is now a separate conversation with the government, LGC, and CIPFA to seek a solution.</p>		
	Action Points	Responsible Officer	Target Date
	Continue to explore options between the DfE and BCP against the Safety Valve programme.	Corporate Director of Children's Services Chief Executive & Director of Finance	December 2024
	Progress in achieving the DSG deficit recovery plan is being monitored through the SEND Improvement Board.	Corporate Director of Children's Services Chief Executive & Director of Finance	On-going

2b	Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024 - BCP Council received statutory direction in relation to SEND from the Department for Education (DfE) in February 2024 following a monitoring visit in July 2023. The document calls on all partners including BCP Council, NHS Dorset, schools and colleges, multi-academy trusts, early years settings, and parent and carer groups to work together at pace to improve services. A diagnostic has taken place since this monitoring visit in July 2023 and a new SEND Improvement Plan has been created to ensure progress is made at pace. All partners across the SEND system are working together to deliver meaningful support to ensure children get the right support, in the right place at the right time, creating better outcomes for Children and young people. Progress has been made in the SEND provision including improved timeliness of the decision-making process and requests for Education Psychology advice.		
	Action Points	Responsible Officer	Target Date
	The SEND Improvement Plan continues to be delivered in accordance with agreed timescales, reviewed and monitored by the SEND Improvement Board and progress reported to Children's Overview & Scrutiny Committee.	Director of Children's Services	Ongoing - March 2025

3	Delay in the completion of previous years' External Audit – The Council considers that the delay to the completion of the external audit of the 2021/22 and 2022/23 statement of accounts to be a governance weakness as this is a key source of assurance. The delay is entirely caused by wider sector problems with both auditor capacity and the increasing complexity of recent audit requirements. The 2021/22 external audit of the statement of accounts has now been finalised. The audit of the 2023/24 financial statements is now underway. There remains doubt over what national solution will be in place. CIPFA have announced that the previously agreed so called 'backstop' arrangement has now been delayed although focus remains on identifying a long-term sustainable national solution. This means in practice the 2022/23 accounts may not be audited in the usual way.		
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4	Mandatory Training – whilst uptake increased from < 50% in March 2023 to 73% in March 2024, a gap still remains.		
	Action Points	Responsible Officer	Target Date
	Managers will continue to monitor progress of completion rates of mandatory training via the dashboards on Skillgate.	Sarah Deane Directors & SLN	December 2024
	Regular reports on workforce compliance will be shared with senior leadership team to ensure that BCP Council is compliant.	Sarah Deane Directors & SLN	Monthly

	Under the new Performance framework, colleagues who have not completed all mandatory training will only be able to receive an 'improving' performance indicator as part of their end of year performance reviews and incremental progression will not be possible until full completion is undertaken.	Sarah Deane Directors & SLN	Annually
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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.

G Farrant - Chief Executive of BCP Council

Date

Leader of BCP Council

Date