

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Annual Governance Statement 2023/24 - Action Plan Update
Meeting date	27 January 2025
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 2023/24 AGS.</p> <p>Progress against the agreed action plan is as follows:</p> <p>Best Value Notice – the Government has lifted the Best Value notice.</p> <p>Dedicated School Grant (DSG) - The DSG deficit continues to increase, with the accumulated DSG deficit assumed to be £63.5m on 31 March 2024, £108m on the 31 March 2025, and £165.5m on the 31 March 2026. As part of a precursor to a s114 report the Director of Finance wrote to MHCLG in May 2024 to seek advice on how a legally balanced budget for 2025/26 can be set when it will be unable to settle the bills for DSG high needs expenditure. The conversation is ongoing with the possibility of a capitalisation direction being explored.</p> <p>Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024 – SEND Improvement Plan continues to be delivered and progress monitored by the SEND Improvement Board and reported to Children's Services Overview & Scrutiny Committee. Significant progress is being evidenced.</p> <p>Delay in the completion of the previous years' External Audit - The 2023/24 Statement of Accounts (SoA) is being audited now and will be brought to this Committee for approval together with the Audit Findings Report to the next meeting of this Committee on the 27 February 2025.</p> <p>Mandatory Training – the actions identified have been rolled out and completion rates had increased to 84% as of January 2025.</p>

Recommendations	It is RECOMMENDED that Audit & Governance Committee note the progress made to address the significant governance issues on the BCP Council AGS Action Plan 2023/24.
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):	Cllr Mike Cox, Finance
Corporate Director	Graham Farrant, Chief Executive
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Wards	Council-wide
Classification	For Update

Background

1. The 2023/24 draft Annual Governance Statement (AGS) for BCP Council was agreed following the public inspection period by Audit and Governance Committee in July 2024.
2. No subsequently identified additional governance issues have been identified and the draft version of the AGS was included as final in the statement of accounts which is being audited now and will be approved by this Committee together with the Audit Findings Report at the next committee meeting on 27 February 2025.
3. The AGS concluded that BCP Council “has effective and fit-for-purpose governance arrangements in place in accordance with the governance framework”. However, the following significant governance issues were identified:
 1. Best Value Notice
 - 2a. Dedicated School Grant (DSG)
 - 2b. Department for Education Statutory Direction for special educational needs and disability services (SEND) – February 2024
 3. Delay in the completion of previous years’ External Audit
 4. Mandatory Training
4. An Action Plan to address the issues identified was approved and it was agreed that a progress report be presented to this 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.

5. Work will shortly commence to prepare the 2024/25 AGS, including the completion of assurance statements by 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.

2023/24 Action Plan Progress

6. Table 1 shows progress against the actions identified in the action plan.

Table 1 - showing Update against Annual Governance Statement 2023/24 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	Update – December 2024
	CMB to oversee implementation of recommendations raised in the BCP Council Assurance Review.	Chief Executive (CMB)	September 2024	<p>All 42 actions listed in the Best Value Notice Action Plan, which came from both assurance reviews, have been completed and the Government has now lifted the notice.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>
2a	<p>Dedicated School Grant (DSG) - 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. 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>			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	<p>1) Continue to explore options between the DfE and BCP.</p> <p><i>Please note this action point previously highlighted the Safety Value programme as the way to address this issue, however, the action is now being addressed through wider discussions between HM Treasury, Ministry of Housing, Communities and Local Government (MHCLG), Department for</i></p>	<p>Corporate Director of Children's Services</p> <p>Chief Executive & Director of</p>	Dec 2024	<p>The in-year DSG deficit for 2024/25 is forecast to be £44.5m which has increased from the originally assumed position in line with the issues set out in an October 2024 report to Full Council. The forecast deficit for 2025/26 is £57.5m which is 92% more than the DSG government grant allocation. The accumulated DSG deficit is therefore assumed to be £63.5m on 31 March 2024, £108m on the 31 March 2025, and £165.5m on the 31 March 2026.</p> <p>Despite not having the government grant to fund these SEND bills they still need to be</p>

	<i>Education (DfE) and BCP Council.</i>	Finance		<p>paid, and all councils are prohibited from borrowing to fund the day-to-day operational/revenue expenditure. Up until 2025/26 the council has been using what is referred to as its "treasury management headroom" to enable the relevant invoices to be settled. Generally, this headroom is the timing difference between receipts for council tax or business rates arriving and the date when the actual bills they fund are paid, alongside any cash-backed balance sheet items such as reserves and provisions. Forecasting indicates this headroom will be exhausted in the first quarter of the 2025/26 financial year.</p> <p>As part of a precursor to a s114 report the Director of Finance wrote to MHCLG in May 2024 to seek advice on how a legally balanced budget for 2025/26 can be set when it will be unable to settle the bills for DSG high needs expenditure. The conversation is ongoing with the possibility of a capitalisation direction being explored. This would ultimately enable the council to borrow to fund the £57.5m excess high needs expenditure next year.</p> <p>Therefore, it is likely that this will remain a significant governance issue in the 2024/25 AGS.</p>
	2) 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	Ongoing	The recovery plan is in the process of being updated against revised budget pressure.

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	Update – December 2024
	The SEND Improvement Plan continues to be delivered in accordance with agreed timescales,	Children's Services	Mar 2025	SEND Improvement Plan continues to be delivered in accordance with agreed timescales, reviewed and monitored by the SEND Improvement Board and progress

	reviewed and monitored by the SEND Improvement Board and progress reported to Children's Overview & Scrutiny Committee.			<p>update taken to Children's Services Overview & Scrutiny Committee in November 2024. Significant progress is being evidenced.</p> <p>Prior to the 2024/25 AGS, full consideration will be given as to whether this remains a significant governance issue or whether sufficient progress has been made for it to be removed.</p>
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3	<p>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.</p> <p>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.</p>			
	<p>Whilst there was no action plan for BCP Council for this issue, the national 'Local Audit Reform Strategy' for overhauling the local audit system in England and 'backstop' arrangements are now clearly laid out for councils and external auditors to follow. The 2023/24 Statement of Accounts is being audited now and will be brought to this Committee for approval, together with the Audit Findings Report, by the backstop date of 28 February 2025. The Audit Findings Report will therefore come to the next meeting of this Committee on the 27 February.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>			

4	Mandatory Training - Less than 50% of officers have completed their mandatory training.			
	Action Points	Responsible Officer	Target Date	Update – December 2024
	Managers will continue to monitor progress of completion rates of mandatory training via the dashboards on Skillgate.	Head of HR Corporate Directors, Directors & SLN	December 2024	<p>Skillgate dashboards are available to show directors and managers mandatory training compliance rates for their staff. Regular reports are shared with Directors Strategy Group.</p> <p>Under the new performance framework, completion of all mandatory training is required to achieve satisfactory performance in end of year performance reviews, which must be completed by 28/02/25.</p>
	Regular reports on workforce compliance will be shared with senior leadership team to ensure that BCP Council is compliant.	Head of HR Corporate Directors, Directors & SLN	Monthly	<p>Compliance rates are continuing to rise and were 84% as at January 2025.</p> <p>Therefore, it is likely that this will no longer be considered a significant governance issue in the 2024/25 AGS.</p>

	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.	Head of HR Corporate Directors, Directors & SLN	Annually	
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Options Appraisal

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

Summary of financial implications

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

Summary of legal implications

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

Summary of human resources implications

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

Summary of sustainability impact

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

Summary of public health implications

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

Summary of equality implications

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

Summary of risk assessment

21. 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 2023/24 (Audit & Governance Committee July 2024)

Appendices

There are no appendices to this report.