

ANNUAL GOVERNANCE STATEMENT 2018/19

CERTIFICATION

To the best of our knowledge the governance arrangements as defined have been effectively operating during the year 2018/19. Significant governance issues identified through the Annual Governance Review are recorded in Section 4.

We propose to take actions to address the issues raised with the objective of enhancing the Council's governance arrangements. The issues and related actions will be monitored as part of the annual governance review process.

SIGNED BY:

DINE ROMERO

LEADER OF THE COUNCIL

ASHLEY AYRE

CHIEF EXECUTIVE

DATE:

1. Scope of Responsibility

- 1.1 The council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs, which includes ensuring a sound system of internal control and effective arrangements for the management of risk.
- 1.3 The council has adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of our code is available from our website.
- 1.4 This Statement explains how the Council has complied with our Local Code of Corporate Governance and also meets the requirements of:
 - The Accounts and Audit (England) Regulations 2015, specifically Regulation 6 (1) in respect of the annual review of the effectiveness of its system of internal control and preparation and publication of an Annual Governance Statement.
- 1.5 The governance framework described in this Statement has been in place at the council for the year ended 31 March 2019, and up to the date of the approval of the statement of accounts.

2. The Purpose of the Governance Framework and Local Code

- 2.1 Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times and the following diagram illustrates how good governance is integral to supporting the delivery of the organisations priorities.



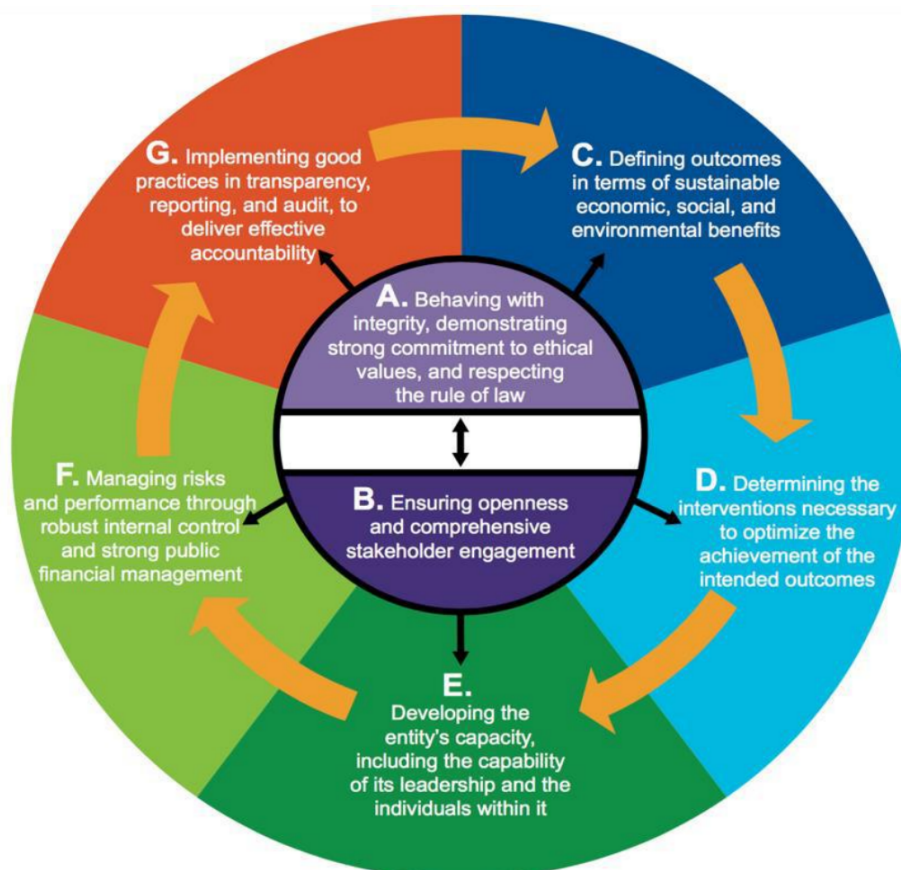
The Council's local code of corporate governance aims to ensure that in conducting its business the Council:

- operates in a lawful, open, inclusive and honest manner
- makes sure public money is safeguarded, properly accounted for and spent wisely
- has effective arrangements in place to manage and control risk
- secures continuous improvements in the way it operates.

The Code comprises the systems and processes, culture and values and structures by which the Council is directed and controlled. The Code is the sum total of all of these things, and it includes those activities required to enable the Council to engage with, account to and lead the communities it serves. The Code enables the Council to set its strategic objectives and to manage the achievement of the objectives whilst ensuring delivery of appropriate, cost effective services.

The system of internal control is a significant part of that Code and is designed to manage risk to a reasonable level. It cannot 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.

The CIPFA/SOLACE framework envisages that the Code will be organised to ensure a continuous process of seven principles based around two core principles (A and B).



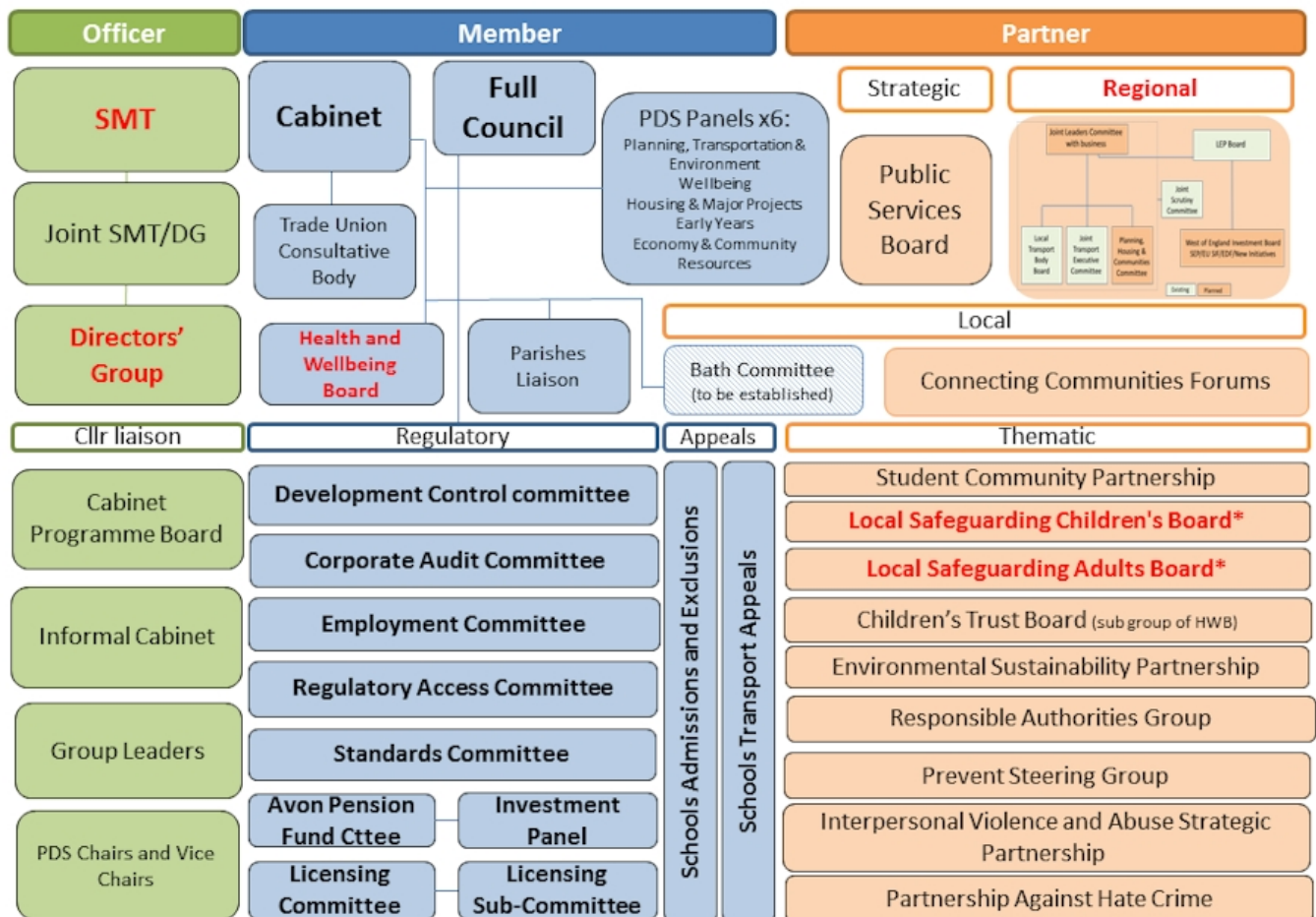
Source: CIPFA/SOLACE

The governance framework and an attendant Code has continued to be in place at Bath & North East Somerset Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3. Key Elements of our Code of Corporate Governance

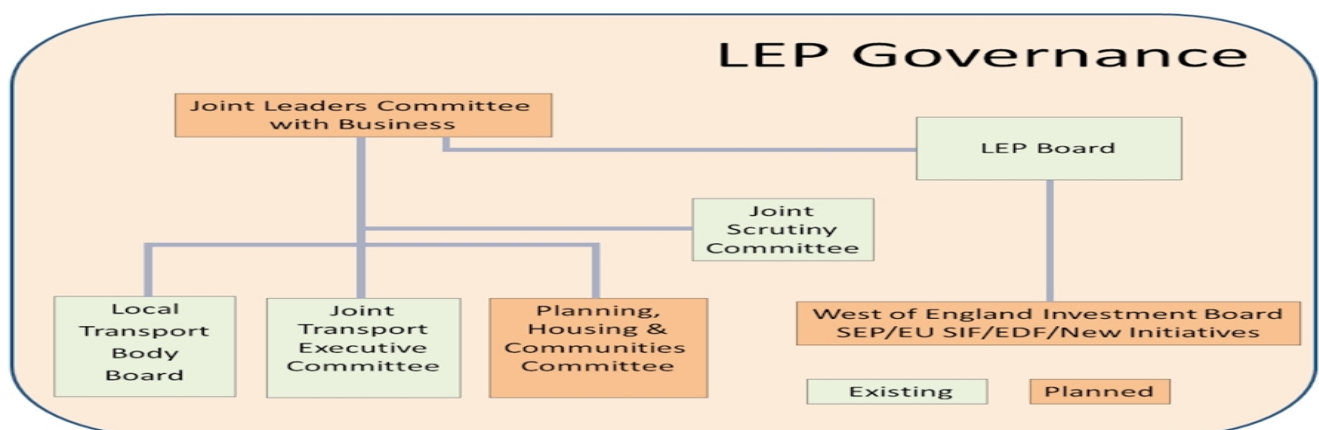
The Council's Constitution is kept under constant review and updated as necessary through the year and sets out how the Council operates. It clearly defines the roles of councillors and officers and this clarity contributes to effective working relationships.

The diagram records the Council's governance structure for both formal member meetings, key partnership bodies and key internal officer groups.

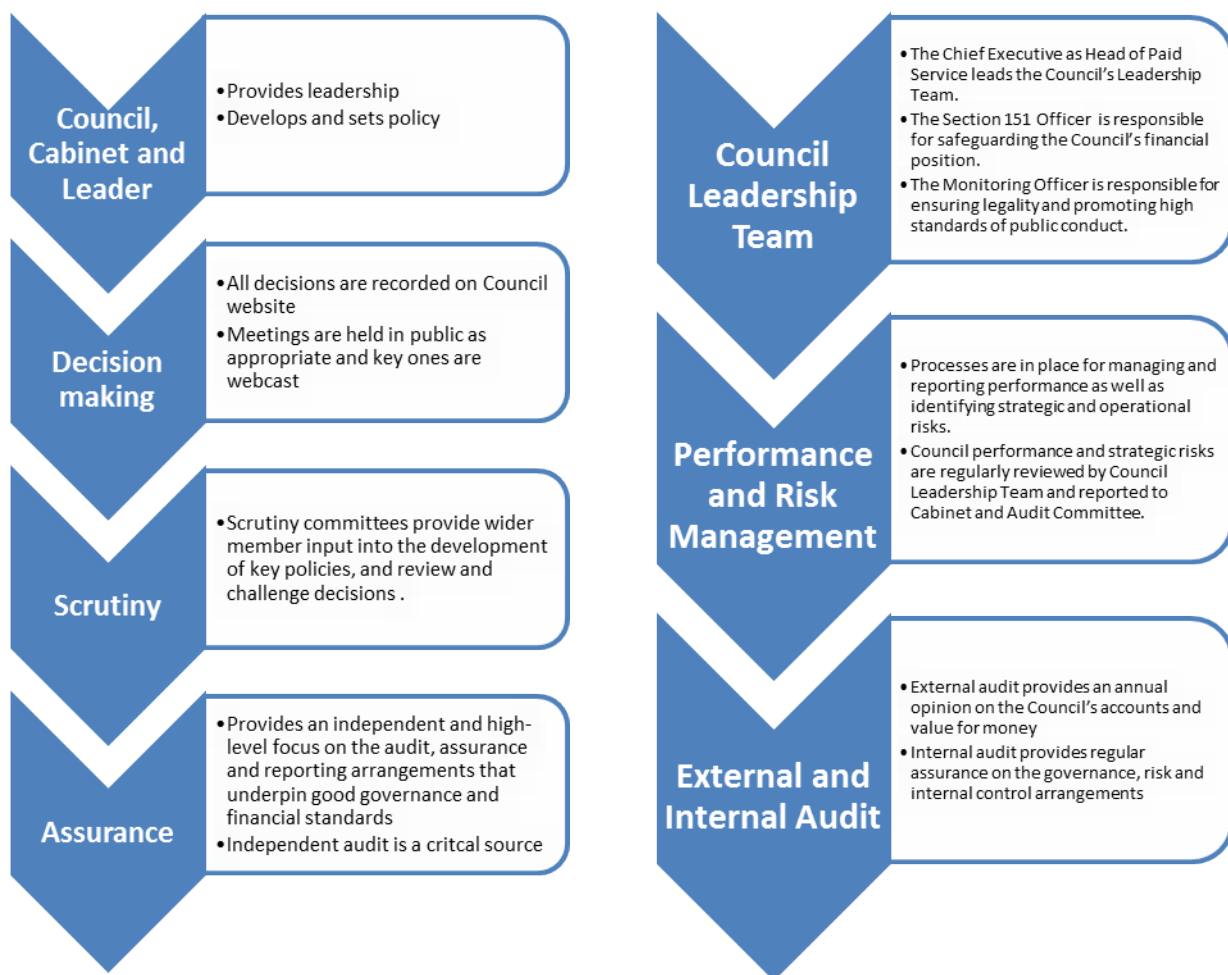


*new statutory powers, TBA

(Key: formal decision-making bodies = **bold**; operational decision-making bodies = **bold**;))



The wider elements of the framework of our governance arrangements at the Council during 2018/19 were:



How we have fulfilled the principles of good governance

Review of the Council's Code of Governance

As above, the Council's Code of Corporate Governance is made up of the arrangements that the Council has in place to deliver the requirements of each principle of the Framework. The Code is not a document, it is the sum total of all these systems and processes, culture and values and structures by which the Council is directed and controlled.

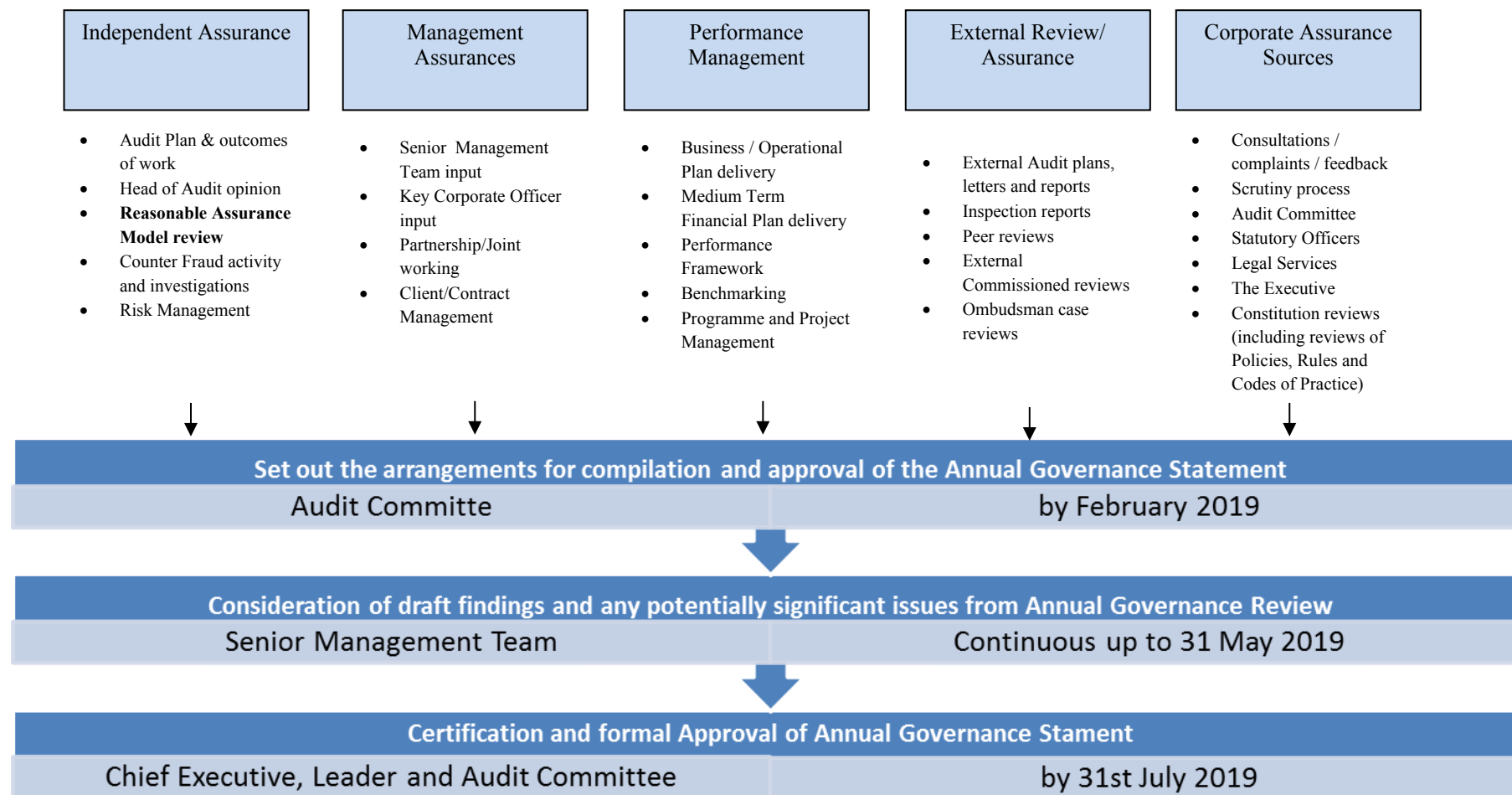
In preparing this Annual Governance Statement the Council has:

- reviewed the Council's existing governance arrangements against the revised CIPFA / SOLACE 'Delivering Good Governance in Local Government framework - 2016 Edition' good practice guidance;
- thereby assessed the effectiveness of the Council's Local Code of Corporate Governance.
- Taken into consideration the findings of external inspection agencies and the Chief Audit Executive's formal opinion on the internal control framework.

The remainder of this document sets out some key aspects of how the Council's has complied with the principles set out in the Framework during 2018/19 however it is not intended to be exhaustive.

4. REVIEW OF GOVERNANCE FRAMEWORK

Throughout the year the Council will review the effectiveness of its governance framework. The methodology is recorded below.



A key component of the review is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.



Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and also enables an assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

This Local Code was adopted by the Council at its meeting of 10th May 2018 and a copy of the Code is accessible through the Council's website at <http://www.bathnes.gov.uk/content/bathnes-local-code-corporate-governance>.

An explanation – but not exhaustive list - is now provided on how the authority has complied with its Local Code – the seven principles of good governance.

5. Principles of our Governance Framework

i. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

Behaving with integrity

Bath & North East Somerset Council has both a Members Code of Conduct and an Employees Code of Conduct which the respective individuals are required to adhere to in their respective roles. The Members Code is recorded within the Council's Constitution (Part 6). The Employees Code of Conduct is planned to be reviewed and updated during 2019/20.

All members of the Council are obliged to sign an "acceptance of office" and following election to office they have a full induction and training programme, including the Members Code of Conduct. Dependent on the roles allocated to members additional tailored training is provided. The Council's Monitoring Officer is overall responsible for member induction and support services for elected members. Part 4 of the Constitution records the 'Procedural Rules' of the Council.

Officers sign contracts of employment and are required to complete a probationary period of employment as standard. All relevant HR policies are in place and made available from the Council Information Service (intranet). These include a formal disciplinary procedure, a Whistleblowing Policy, Information Governance Policies, Counter Fraud Strategy bringing together the Council's Anti-Fraud and Corruption Policy, Anti-Bribery Policy and Money Laundering Policy under one umbrella. We maintain electronic registers of interests and gifts & hospitality for staff. Members are required to declare interests and this and the Councillors attendance record and declarations at meetings are recorded against their individual Councillors page accessible through the Council's internet webpages.

Demonstrating strong commitment to ethical values

Bath & North East Somerset Council maintain a Standards Committee which under the Constitution (Part 5) records the Committee's Terms of Reference. The Terms of Reference includes:

- Promote and maintain high standards of conduct by Councillors; Parish Councillors; co-opted members and church and parent governor representatives;
- Oversee the effectiveness of the Council's Constitutional arrangements from an ethical perspective and make recommendations to the Council on any desirable or necessary changes.

The Committee is scheduled to meet every two months (if required) and reports to Council at least annually. The last annual report was submitted to the 12th July 2018 Council Meeting. It recorded that the 12 members (5 B&NES Councillors, 4 Parish Councillors and 3 independents) and Independent Person met on four occasions in 2017/18 to fulfil its role and responsibilities. In 2018/19 the Committee also had four meetings and during these meetings it included consideration of : 1) a local hearing into the conduct of a Parish Councillor; 2) a report on Local Government Ombudsman Complaints; 3) a report on the assessment of complaints; 4) a report on Gifts & Hospitality (it was agreed that the Monitoring Officer draft a Gifts and Hospitality policy); 5) a protocol between B&NES Council and Avon and Somerset Constabulary for Investigations and Offences under the Localism Act 2011 Section 34; and, received a training session on the 'Code of Conduct'.

The Code of Conduct for Members and Co-opted Members makes specific reference to the need to adhere to seven principles of public life (the Nolan principles).

All formal meetings of the Council (i.e. Committees) require declarations of interest from Members of those Committees as a standing item and meetings are minuted / recorded. There is also a member complaint policy which is overseen and administered by the Council's Monitoring Officer.

Respecting the rule of law

The Council's Constitution sets out the legal requirements around Council business including decision making. Guidance is available on both the Council's Information Service (Intranet) and public accessible website (Internet) to guide Officers in ensuring that Decisions are taken by the appropriate committee, Member or Officer under the Scheme of Delegation (Part 3 of the Constitution). The Constitution is reviewed by a Constitution Working Group and amendments are reported to Full Council to ensure it remains fit for purpose and is legally compliant.

All reports requiring decision must be cleared by the Council's S151 and Monitoring Officers. The adopted report template requires the author to record 'Statutory considerations and basis for the proposal' and this section should

contain details of any relevant considerations regarding equalities, crime & disorder, sustainability, natural environment, planning, human rights, children, public health & inequalities. It should also specify the legal power or duty that authorises the decision to be made. Specific Report Writing guidance is available to Officers to provide clarification of actions required.

All Council contracts must comply with the Council's Contract Standing Orders and guidance from specialist procurement and legal Officers is available in order to comply with legal requirements e.g. EU Procurement regulations.

Additional guidance is available to Members and Officers to ensure compliance with other legislation including: Proceeds of Crime Act 2002 (e.g. Anti-Money Laundering Policy)
Bribery Act 2010 (e.g. Anti-Bribery Policy 2016)

The Council also considers Motions submitted by political groups / Councillors e.g. 15th Sept 2016 motion against modern slavery linked to the Modern Slavery Act 2015.

ii. Ensuring openness and comprehensive stakeholder engagement

Openness and engaging with individual citizens and service users effectively

The Constitution outlines the Citizens rights to access information (Part 2 – Article 3 Citizens and the Council) in addition Part 4 – Procedural Rules record the access to information procedure rules (Part 4B). It details: rights to attend meetings; notice of meetings being held; access to agendas and reports; provision of agenda and report copies; access to meeting minutes; and rules around the exclusion of access by the public to meetings.

Key decisions are all publically recorded and the templates for decisions require officers to provide all necessary and pertinent information to make an informed decision. The Cabinet forward plan of business is published in advance in accordance with access to information requirements.

To help ensure decision making rules are followed an intranet page provides officers with information about the stages to be followed for single member, Cabinet, Officer and urgent decisions.

The Council's website contains information about services and provides easy access key links such as 'Cabinet Decisions'.

We monitor compliance with the Department for Communities and Local Government Transparency Code and the Transparency page on the internet provides the links to access business operations and outcomes (such as payments to suppliers / expenditure over £500) as required by the Code.

We are very open with our communications and digital communication channels are used including a library of webcasts e.g. Council and Cabinet meetings. The Council and its services use Social Media such as Twitter, Facebook, and Instagram. A weekly e-connect newsletter is accessible and in addition to digital communications the Council produces a quarterly residents magazine called 'Together'. Staff also receive a weekly communications e-mail.

Engaging Comprehensively with Institutional Stakeholders

The Council has consultation webpages which records current, future and closed consultations plus a consultation results section. Some of the key consultation / engagement work carried out over the last year include:

- Additional HMO Licensing
- Locally Listed Heritage Assets Supplementary Planning Document Questionnaire
- Housing Services Enforcement & Licensing Policy
- Charlotte Street Car Park Extension
- Strategic Transport Studies
- School Admission Arrangements 2020/21
- Home Care Review
- Community Asset Transfer Policy
- Mental Health Services Review

Partnership working with our health and West of England partners is of critical importance in both service delivery and in shared financial efficiencies. NHS England has challenged the health and care system to develop a Sustainability and Transformation Plan (STP) and the Council has been fully engaged in the STP development process. The Clinical Commissioning Group (CCG) and B&NES Council are joining their commissioning functions and continuing to pool budgets. The Health & Wellbeing Board is responsible for preparing a Joint Health and

Wellbeing Strategy and reviewing and reporting on health and social care commissioning. The Council and CCG are represented on the Board.

Following the transfer of functions to the West of England Combined Authority (WECA) on 1st February 2017 the Authority represents Bath and North East Somerset Council, Bristol City Council and South Gloucestershire Council. A Joint Committee, Overview & Scrutiny Committee and an Audit Committee assist in the good governance of the Combined Authority.

iii. Defining outcomes in terms of sustainable, economic, social and environmental benefits

Defining outcomes

The Council's vision and priorities are recorded in the Corporate Strategy 2016 – 2020.

The 2020 Vision is:

'Bath and North East Somerset will be internationally renowned as a beautifully inventive and entrepreneurial 21st century place with a strong social purpose and a spirit of wellbeing, where everyone is invited to think big – a 'connected' area ready to create an extraordinary legacy for future generations.'

To deliver this Vision the Council will focus on four priorities:

- A strong economy and growth.
- A focus on prevention.
- A new relationship with customers and communities.
- An efficient business.

The Operational Plan is an important component of the Council's strategic planning and budget framework. It set out the key activities and projects that the Council planned to deliver.

Sustainable economic, social and environmental benefits

The Capital Programme 2018 to 2022 includes investments that provide economic, social and environmental benefits including: Bath Quays development; Highways maintenance; Leisure Centre refurbishment and modernisation; schools expansion; and Property Company Investments.

In terms of Property Company Investments this is linked to the Council's wholly owned property investment company, Aqueus Development Ltd (ADL) and its subsidiary company ACL, to develop, deliver, own and manage property as well as delivering new development. The Council also maintains Bath Tourism Plus (BTP) as a company limited by guarantee and its objective is to promote the destination at home and abroad to benefit the local economy.

iv. Determining the interventions necessary to optimize the achievement of the intended outcomes

Determining interventions

As stated earlier in the Statement the Council's decision making processes are set by its Constitution and citizens and service users are consulted where appropriate prior to decisions being taken.

The decision making process requires objective and rigorous analysis of options and associated risks. A Risk Management Strategy and Toolkit has been adopted and this provides guidance on the assessment of risks related to recommended actions / decisions.

The Monitoring and S151 Officers are consulted on all decision making reports and they are able to provide their professional opinion on the matter being reported and actions / decisions to be taken.

Planning interventions

The Council's Forward Plans set out clearly the forthcoming business that will be taken to the relevant decision-making committees and by key officers and members. This includes dates of Cabinet meetings and anticipated dates for Single Member Decisions. The Council conforms to all legislation and best practice in publishing such plans in advance of meetings etc.

Optimising achievement of intended outcomes

The Medium Term Financial Strategy (MTFS) outlines how the Council's budget will be delivered over the medium to long-term. The MTFS for B&NES spans two years with a further three added to show the likely longer-term picture.

Linked to the MTFS and the annual budget process the Council's S151 Officer is required to make a statutory statement (Section 25 of the Local Government Act 2003) on the robustness of estimates and adequacy of reserves for the budget year and Financial Plan. The Directors review and completion of Robustness Statements and other financial management processes including the provision of qualified and experienced financial staff to support service areas.

The 5 year Capital Programme includes a number of economic projects including Bath Quays designed to increase opportunity and prosperity.

v. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

The financial challenge and the on-going need to seek budgetary savings are having a direct effect of the Council's ability to maintain and develop its capacity. Service areas including libraries and youth are proactively looking for volunteers to help with non-statutory service provision.

Developing the capability of the entity's leadership and other individuals

Following the May 2018 elections a full member induction programme is to be provided to allow all members but particularly new ones to understand how the Council works and the key services it provides. In addition to this specific induction training members are provided training specifically related to their roles and responsibilities.

For Council managers 'Leading and Managing Together' sessions are held periodically to provide a networking and communication forum.

The Council has developed a 'Performance Development Conversation' process with guidance and templates with the objective of improving communication and the performance of staff. It is linked to the Council's Values and Behaviours.

vi. Managing risks and performance through robust internal control and strong public financial management

Managing Risk

The Council has adopted a Risk Management Strategy and Toolkit during 2018/19 which has been endorsed by the Bath & North East Somerset Council's Cabinet Member for Finance & Efficiency, the Council's Chief Executive and the Corporate Audit Committee. The Strategy document records key activities and frequency and the toolkit provides detailed guidance on risk management processes.

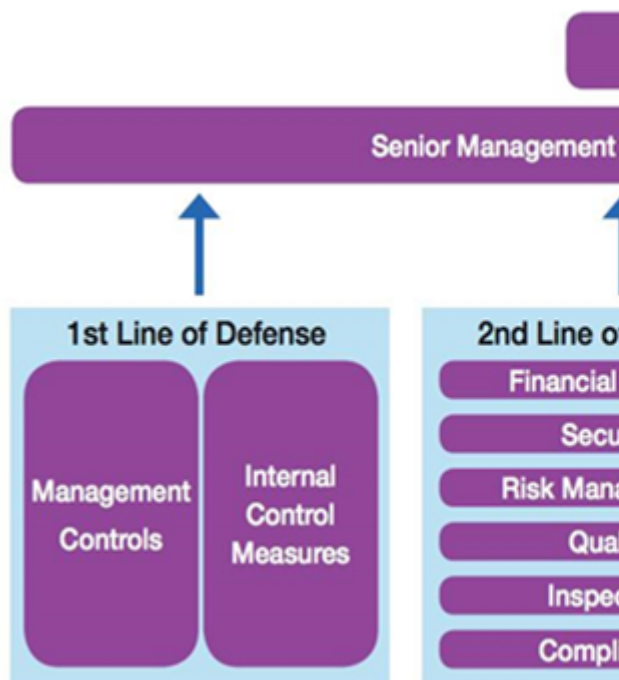
The Council continues to raise awareness of the importance of good risk management and embed the adopted processes. Directors give on-going assurance to the Chief Executive regarding the management of risks within their area of service delivery. Risk management objectives are monitored through the Corporate Audit Committee in line with its terms of reference to evaluate the effectiveness of the risk management strategy and framework.

Managing Performance

Performance Management has been overhauled following the Council's management restructure and is aligned with the Council's Operational Plan, Quarterly performance information and business intelligence is now being recorded and fed back to Senior Management to enable clear oversight, accountability and action.

Robust Internal Control

The Council's system of internal controls is managed and monitored through the 3 lines of defence and the External Auditor and other Inspectors.



The review and monitoring of internal controls by Internal Audit and other 'independent' inspectors is subject to risk assessment to ensure that resources are focussed on reviewing the controls associated with higher risk areas.

The Corporate Audit Committee Terms of Reference includes approving the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations). It has been agreed that in addition to receiving internal audit plan update reports which includes recording the assurance level allocated to all 'final' version internal audit reports, a more detailed explanation of findings (weaknesses and recommendations) and management response is provided to the Committee on any reports assessed as Assurance Levels 1 (Poor) or 2 (Weak). The opinion linked to Assurance Level 2 is 'The systems of internal controls are weak and reasonable assurance could not be provided over a number of areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the risk exposure.'

The Council's Financial Regulations require Members and staff to inform the Chief Finance Officer and / or the 'Chief Audit Executive' immediately of any suspected financial irregularity. This enables the Internal Audit function to investigate all reported cases promptly to ensure the integrity of the system of internal control and to deal with the particular issues related to the matter reported.

Managing Data

Bath and North East Somerset Council supports the objectives of increasing openness, accountability and transparency in the public sector.

Since the introduction of the Freedom of Information Act in January 2005, the Council has been committed to a proactive approach regarding access to information.

On the 25th of May 2018, Parliament enacted the Data Protection Act 2018 which is built on the European General Data Protection Regulations (GDPR).

The Council is responsible for a wide range of local functions that affect the everyday lives of residents. Information held by the Council is therefore of great relevance and interest to the public. A list of the information regularly made available by the Council to the public can be found in the Council's Publication Scheme.

Members of the public can submit a subject access request or a Freedom of Information request through the public website (submission of an electronic form) or by writing to the Council.

Members and staff can access guidance and training through the Council's Information Service. There is a comprehensive framework of Information Governance Policy that includes: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy.

Information Sharing Agreements with public sector partners to ensure the effective and efficient secure sharing of information. When data is processed by a private sector body contracts include the relevant data protection, confidentiality and FOI clauses.

Strong public financial management

Financial updates are regularly reported to Cabinet and this includes budget monitoring and outturn reports.

All decision papers for Committees, Cabinet member or Officer delegated decisions require S151 financial sign-off before the decision can be taken. Designation of Chief Financial Officer and other delegation changes were approved by full Council on 10th May 2018 based on the removal of the Strategic Director Resources post.

An updated Financial Regulations and Budget Scheme were approved by Council on the 13th September 2018.

Both the internal and external auditors report on the Council's financial management. The Council's Statement of Accounts 2017/18 were presented to the 30th July 2018 meeting of Corporate Audit Committee and approved.

The Director Finance has confirmed that the principles outlined in the CIPFA Statement on the Role of the Chief Financial Officer (s151 Officer) in Local Government have been compiled with in performing her duties. She was a member of the Councils Strategic Management Team (operated up to the 26th September 2018) and is currently a member of Directors Group / Directors Group Plus. Membership of these groups ensures she can develop and implement strategic objectives and influence material business decisions. She has taken a leading role in the promotion and delivery of good financial management by the organisation for example by reviewing the Council Financial Regulations during 2018 and having overall responsibility for the Internal Audit Plan. She as an experienced CIPFA qualified accountant has headed up a Finance Service with suitably qualified and experienced in all senior positions.

Vii Implementing good practices in transparency, reporting and audit, to deliver accountability

Implementing good practice in transparency

Transparency is a key condition and driver for the delivery of Council services. As a publicly funded organisation, we have a duty to our residents to be transparent about our business operations and outcomes and we have a transparency webpage.

Committee meetings and reports are easily accessible through the Council's website.

Implementing good practices in reporting

Reporting is required to assist the Council's decision making process. The constitution requires decisions to be taken by an appropriate committee, Cabinet Member or officer and requires 'sign-off' by the Council's S151 and Monitoring Officers.

Officers write reports to assist understanding of the matter / issues and provide clarity what is being asked of the recipient of the report including recommended actions.

The annual governance review which has been carried out to produce this statement requires a robust methodology to be followed to enable a statement to be published within the statutory statement of accounts.

Assurance and effective accountability

The Corporate Audit Committee through its terms of reference monitors the implementation of both internal and external audit recommendations.

The Council has contracted with Virgin Care to provide community health and care services for children, young people and adults. A governance framework has been devised to monitor the Community Services Provision Contract and the related Service Development Improvement Plan (SDIP):

- 1) Community Services Steering Group - report to the Joint Commissioning Committee (Executive Group) and to the Health & Wellbeing Board.
- 2) Contract, Quality and Performance Meeting Group (CQPM) - provide a strategic/senior officer lead and a direct linkage to the Community Services Steering Group.
- 3) Financial Information Group - monitor the financial position and any budgetary issues.
- 4) The Transformation Group - produce a SDIP Performance Dashboard and report to CQPM on any delivery issues which need attention.

6 a) SIGNIFICANT GOVERNANCE ISSUES 2017/18

Summary of Significant Issue for 2017/18	Commentary & Mitigating actions for 2018/19	Update Position through 2018/19
<p><u>Financial Challenge</u></p> <p>As detailed for the last two years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges.</p> <p>The Council has responded positively with over £55M of savings already delivered, however at least £11.7M of additional savings still need to be identified over the remaining period.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2017/18 in two of its largest service areas resulted in overspends of £1.5M in Children's Services and £1.1M in Adult Services.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in continuing to deliver services to the community.</p> <p>Nationally the pressures in Social Care and Children's Services have started to be recognised and some funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges.</p>	<p>As with previous years the Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions.</p> <p>One of the key principles of the 2018/19 budget was to provide growth of £6.9M to meet existing and new demands in relation to social care and children's services in order to improve and robustness and sustainability of the budget.</p> <p>The budget also includes £16.9m of savings that will need to be delivered including significant staff reductions. These include a range of plans and actions in Adults and Children's which include –</p> <ul style="list-style-type: none"> - Utilisation of the Improved Better Care Fund using the Adult Social Care precept along with a change programme which includes allocating £3.9M of additional growth in Social Care and £3M for Children's within the MTFP; - Improvements to Children's social care and SEND services and redesigning Youth Connect services to develop additional capacity; - Reviewing care package assessments and the single point of access to help reduce demand and enable people to live in their own homes; - Reviewing service provision for high cost learning disability placements, plus Direct Payment provision and in-house Fostering.; - Reviewing Nursery Provision, Children's Centres and preventive services; - Working effectively with Key Partners, especially those in Health, Virgin Care and across the West of England to support the most vulnerable; - Continuing the stringent cost control mechanisms on staff costs, goods, works and services at an operational level. 	<p>The council's financial performance is reviewed, assessed and challenged by the Senior Management team on a monthly basis, together with the key risks and assumptions that were included within the medium term financial plan.</p> <p>Clearly this increased scrutiny, which has seen the development of a range of proposals that are being implemented has given greater attention and focus upon priority areas and also delivered an improvement in the council's overall financial monitoring position.</p> <p>The projected net expenditure position has improved significantly across many areas of the council's budget forecasts, meaning that the net position by the council at the end of the year was an overspend of less than £1M (£0.92M).</p> <p>Whilst this position should be seen as a significant achievement based on earlier forecasts of much higher overspends, it should also be recognised that some of this has been accomplished through the one-off curtailment of spending and recruitment freezes; this is not sustainable and will not be without consequence. Deferring work in highways maintenance, for example, will increase the backlog of outstanding defects.</p> <p>Importantly the in-year mitigations will not change the council's strategic approach set out in the corporate plan, they will seek to progress the council onto more medium-term and sustainable solutions which are aligned with our aims and ambitions.</p>

4 b) SIGNIFICANT GOVERNANCE ISSUES 2018/19

Issue in 18/19	Commentary & Mitigating actions for 19/20
<p><u>Financial Challenge</u></p> <p>As detailed for the last three years the significant issue identified around the financial challenge continues to be severe, with public sector austerity and a range of economic challenges likely to last well beyond 2020.</p> <p>The Council has responded positively with over £70M of savings already delivered, however at least £12M of additional savings still need to be identified over the coming year. Therefore the Council has been actively planning to meet this challenge with new savings initiatives already being worked on for the current and future years.</p> <p>Despite this the Council's financial sustainability is being challenged and its outturn position for 2018/19 in Children's Services resulted in an overall overspend of almost £1M and overspends of £2.7M in Children's Services £0.8M in Transport and Environment and reduced income of £0.9M from the Commercial Estate which is a worsening position than the year before.</p> <p>Whilst again no significant governance failures have occurred, the Council acknowledge that the level of grant reductions from central government are a significant issue and represent the most significant set of challenges it has faced in being able to continue to deliver excellent services to the whole community at all times.</p> <p>Nationally the pressures in Social Care and Children's Services have started to be recognised and some temporary funding has been provided for future years. However this does not close the gap and increased health and social care integration and service transformation continues to be necessary.</p> <p>This puts additional strain on being able to meet the challenge not just in Social Care and Children's Services but across all services and entails making difficult choices. We therefore need robust governance and sensible plans to enable services to deliver against all of these challenges</p>	<p>As with previous years the Council has already set out many of its plans to deliver services into the future against the backdrop of significant financial reductions. Overseeing delivery against this agenda is a key role for the Cabinet and Senior Management and they will continue to be pro-active in working to ensure that significant risks to the organisation are appropriately mitigated & controlled.</p> <p>For 2019/20 the total budget gap before savings is £8.9m, this is comprised of budget pressures brought forward from 2018/19, reviewed savings plans, budgets updated for inflation and demographics, the loss of Revenue Support Grant in 2019/20 but partially offset by business rates, tax base growth and other budget changes.</p> <p>The assessment of the plans to close the gap outlines a requirement for up to £1.5m of funds from the Financial Planning Reserve to smooth the delivery of savings in 2019/20 as they cannot all be delivered by the 1st April. It will also require a Revenue Budget Contingency sum of £2.0m to reflect the assessed level of risk associated with the scale of savings and further unknown pressures and demographics in 2019/20.</p> <p>In addition to this putting forward a balanced budget for 2019/20 continues to be dependent on the flexible use of capital receipts to fund redundancies and once-off costs such as transformation to deliver the savings required.</p> <p>In high risk areas such as Adult Social Care and Children's Services the Government announced further grant distribution including £0.73m in 2019/20, for winter pressures grant funding to be pooled through the Better Care Fund. A further one-off grant of £1.247m was announced that can be utilised for pressures within Adult Social Care or Children's Services and will be used to fund Care placement pressures in 2019/20.</p> <p>The Better Care Fund ensures the integration of health and social care and to agree an integrated spending plan. Extra funding for adult social care was announced in the 2017 national budget with local allocations of one-off funding of £1.028m in 2019/20 and this funding is pre-committed to protect current Social Care spending levels.</p> <p>Many of the previous year's action also remain in place to control costs and continuing the stringent cost control mechanisms on staff costs, goods, works and services at an operational level whilst using the Corporate Plan and Medium Term Financial Plan to help focus services at a strategic level will remain a key role for Senior Management.</p>