

# Bath & North East Somerset Council

MEETING:	Audit Committee	
MEETING DATE:	5 <sup>th</sup> February 2025	AGENDA ITEM NUMBER
TITLE:	Annual Governance Statement 2024/2025	
WARD:	ALL	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b>		
<b>Appendix 1 - High Level Methodology for Preparing the Annual Governance Statement</b>		
<b>Appendix 2 – B&amp;NES Council Local Code of Corporate Governance 2024</b>		

## 1 THE ISSUE

- 1.1 The aim of the report is to inform the Committee on the Annual Governance Review process, update on significant issues from last year and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2024/25.

## 2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the report.

## 3 THE REPORT

### 3.1 Annual Governance Statement

- 3.1.1 In November 2024 the Audit Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2023/24 and the 'significant' reportable issues of Financial Challenge (Service Demand & Cost Pressures) and Children Services (Dedicated Schools Grant Deficit & the Safety Valve Agreement).

- 3.1.2 An update on the position with regard to the DSG Deficit and Safety Valve Agreement was presented to this Committee including details on actions and progress. It is still highly possible this issue will remain significant in relation to the Annual Governance Statement in 2024/25.

- 3.1.3 The Financial Challenge issue remains severe, work on the Children's Transformation Plan progresses well but service demand remains very high putting extreme pressure on the Council's overall budgets. A £1.42M forecast

overspend was presented to Cabinet in November reflecting our quarter 2 position and a further Q3 update will be presented to Cabinet in February.

3.1.4 At the time of preparing this report we do not have the Q3 position however the pressure in terms of new demand in terms of children's social care is significant and therefore cost controls remain in place right across the Council's systems. It is therefore very likely this significant issue will remain in place for the 2024/25 Annual Governance Statement.

3.1.5 The annual governance review for 2024/25 is on-going and it is important that the Audit Committee understand the process to carry out the review and publish the Statement.

3.1.6 The adopted methodology / process to compile and obtain sign-off of the Annual Governance Statement is well established and has been in operation for several years and an overview of the process is recorded in **Appendix 1**.

3.1.7 The methodology of the governance review requires 'Management Assurances' and 'Corporate Assurance Sources' including:

- The involvement of Statutory Officers, Executive Directors, Directors and Heads of Service
- Input from 'key' Corporate Officers – e.g. Procurement, Information Governance

3.1.8 The review of governance covers all significant corporate systems, processes and controls, spanning the whole range of Council activities.

3.1.9 Key milestones in compiling the Annual Governance Statement:

1) Internal Audit Update Report to Audit Committee (24<sup>th</sup> September 2025) – an opportunity for the Committee to input any views on governance or significant issues.

2) Chief Executive & Leader of the Council sign the Statement linked to the approval of the Annual Accounts.

3.1.10 The Annual Governance Statement will record any 'significant issues', and associated action plans. The definition of a significant issue can be summarised as follows:

- Significant failure in decision making at Council or Executive
- Significant unexpected use of Resources
- Significant performance failing or failures in service delivery
- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

## 3.2 Local Code of Corporate Governance

3.2.1 The Annual Governance Statement is based on the Council's 'Local Code of Corporate Governance'. As the publication of an Annual Governance Statement is statutory requirement, it's important that the Council takes account of any guidance provided by the Chartered Institute Public Finance Accountants (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

3.2.2 The Delivering Good Governance in Local Government Framework, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way.

3.2.3 The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.

3.2.4 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

3.2.5 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

3.2.6 In order to demonstrate that the Council has the necessary corporate governance arrangements in place, it's important to adopt a Local Code of Corporate Governance and periodically review the Code based on any developments nationally or locally. The core requirement of a Code is that it is based on the following key principles of good governance:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable, economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it

- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit, to deliver accountability

3.2.7 The Local Code of Corporate Governance was subject to a comprehensive review in 2024, and the revised Code (see **Appendix 2**) was endorsed at the Committee meeting on 1<sup>st</sup> May 2024 and noted by Council when the Committee's Annual Report was presented by the Chair of the Committee on 21<sup>st</sup> November 2024. The revised Code considered:

- a) the B&NES Council Corporate Strategy 2023-2027
- b) the B&NES Council 'Our Values and Behaviours Framework' document
- c) the B&NES Council 'Protocol on Councillor / Officer Relations'
- d) the B&NES Corporate Audit Committee's Terms of Reference
- e) Department Levelling Up, Housing & Communities Best Value guidance (draft version for consultation).

## **4 STATUTORY CONSIDERATIONS**

4.1 The Accounts & Audit Regulations set out the expectations of provision of an Annual Governance Statement. This is supported by CIPFA/SOLACE standards and the Council's Local Code of Corporate Governance. Implications of not providing this statement would include potential qualification of the Accounts, increase in External Audit fees, potential significant reputational risks and ultimately additional costs to rectify.

## **5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

5.1 There are no direct resource implications relevant to this report.

## **6 RISK MANAGEMENT**

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

## **7 EQUALITIES**

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

**8 CLIMATE CHANGE**

8.1 There are no direct climate change implications related to this report.

**9 OTHER OPTIONS CONSIDERED**

9.1 No other options to consider related to this report.

**10 CONSULTATION**

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

<b>Contact person</b>	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
<b>Background papers</b>	<i>Corporate Audit Committee – Annual Governance Statement 2023/24 &amp; Local Code of Corporate Governance – 1<sup>st</sup> May 2024</i>  <i>Corporate Audit Committee Annual Report - Council 21<sup>st</sup> November 2024</i>  <i>Corporate Audit Committee – 27<sup>th</sup> November 2024 - BRIEFING PRESENTATION - ACCOUNTS 2023/24</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	

**High Level Methodology for Preparing the Annual Governance Statement**

Independent Assurance	Management Assurances	Performance Management	External Review/ Assurance	Corporate Assurance Sources
<ul style="list-style-type: none"> <li>• Audit Plan &amp; outcomes of work</li> <li>• Head of Audit opinion</li> <li>• Reasonable Assurance Model review</li> <li>• Counter Fraud activity and investigations</li> <li>• Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>• Senior Management Team input</li> <li>• Key Corporate Officer input</li> <li>• Partnership/Joint working</li> <li>• Client/Contract Management</li> </ul>	<ul style="list-style-type: none"> <li>• Business / Operational Plan delivery</li> <li>• Medium Term Financial Plan delivery</li> <li>• Performance Framework</li> <li>• Benchmarking</li> <li>• Programme and Budget Management</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit plans, letters and reports</li> <li>• Inspection reports</li> <li>• Peer reviews</li> <li>• External Commissioned reviews</li> <li>• Ombudsman case reviews</li> </ul>	<ul style="list-style-type: none"> <li>• Consultations / complaints / feedback</li> <li>• Scrutiny process</li> <li>• Audit Committee</li> <li>• Statutory Officers</li> <li>• Legal Services</li> <li>• Cabinet</li> <li>• Constitution reviews (including reviews of Policies, Rules and</li> </ul>

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**Set out the arrangements for compilation and approval of the Annual Governance Statement**  
 Audit Committee by 5th February 2025

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**Consideration of draft findings and any potentially significant issues from Annual Governance Review**  
 Executive Leadership Team by 30th September 2025

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**Certification and formal Approval of Annual Governance Statement**  
 Chief Executive, Leader and Audit Committee by 30th November 2025