

ANNUAL GOVERNANCE STATEMENT

2023/24

1. SCOPE OF RESPONSIBILITY

The scope of responsibility is set out in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). This Framework requires Councils to publish the Annual Governance Statement and sets objectives included in the scope of responsibility as follows:

- Public money is safeguarded and properly accounted for.
- Resources are used economically, efficiently and effectively to deliver agreed priorities and benefit local people.
- Council business is conducted in accordance with relevant laws and regulations.

The above objectives are particularly important in the context of the current uncertainty around future reform of Fair Funding and Business Rates Retention. The Framework also set out seven core principles that are the enablers that enable the delivery of the above objectives:

- Behave with integrity
- Engage with Stakeholders
- Define outcomes
- Ensure planned outcomes are achieved
- Develop capacity, capability and leadership
- Manage risks and performance effectively
- Demonstrate transparency and accountability

Further, the Framework sets out the importance of putting in place proper arrangements for the management of its affairs, including the management of risk. These proper arrangements include the Council's Governance framework: decision making through Council, Cabinet and Leader; Overview and Scrutiny Committee, Audit Committee, Risk Management arrangements, the Chief Management Team.

Proper arrangements set out in the CIPFA/Solace Framework include structuring the role of the Chief Finance Officer (CFO) as set out below:

- Reports directly to the Chief Executive
- Is a member of the leadership team with at least an equivalent statement to the other members.
- Is actively involved and able to bring influence on ESBC's financial strategy.
- Is actively involved and is able to bring influence on all material business decisions.
- Leads ESBC in the delivery of good financial management.
- Directs a fit for purpose finance function
- Is professionally qualified and suitable experienced.

Further, there are key Council Strategies and documents which support the Governance Framework, as set out below:

- The Medium Term Financial Strategy
- The Treasury Management Strategy

- A statement on Internal Control
- Self-Assessment against the CIPFA Code of Financial Management
- Statement of Accounts

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The purpose of the Governance framework is to structure the decision-making, culture and processes of the organisation; including the channels through which decisions are made, as well as roles, responsibilities, rules and procedures. The end purpose is effective and transparent governance for the Council.

Further, it is declared that the governance framework has been in place at ESBC for the year ended 31st March 2024, but continues to be effective up to the approval dates for the 2021/22 statement of accounts (11 April 2024) and the 2022/23 accounts (17 April 2024).

3. THE GOVERNANCE FRAMEWORK

The governance framework in detail comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. Further, it enables ESBC to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate 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 ESBC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

ESBC operates a number of systems and processes that comprise the authority's governance arrangements including:

- The Corporate Plan and the monitoring the delivery of corporate objectives via quarterly monitoring at the Corporate Management Team, Cabinet and the three Scrutiny Committees. The Corporate Plan, and Service Plans, are reviewed annually. Communication with respect to the Corporate Plan is carried out with key stakeholders externally and through internal communications. Service Plans are communicated through internal communications and via the employee appraisal process;
- The effective facilitation and operation of policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and delegated decision making powers. The Constitution sets out how the Council operates and the procedures which are followed to enable transparent and accountable decisions to be made by the Cabinet. Scrutiny Committees provide the opportunity for independent Member review of Cabinet decisions and Council services and meetings are open to the public except where confidential matters are being disclosed. In addition,

delegated decision making authority is given to senior officers in certain circumstances outlined in the Council's Constitution. The Council publishes a Forward Plan containing details of future key decisions to be made by the Council;

- The operation of the statutory officer roles of Head of Paid Service (Chief Executive), Chief Financial Officer and Monitoring Officer, having specific responsibility for ensuring compliance with established policies, procedures, laws and regulations. The Monitoring Officer has the authority to report to Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration, thereby stopping the proposal or decision being implemented until the report has been considered.
- The statutory officers have the statutory duty to report to all the local authority's Elected Members if there is or is likely to be unlawful expenditure or an unbalanced budget set;
- The Council's procedure rules, and scheme of delegation are contained within the authority's Constitution. The constitution is reviewed on a regular and ongoing basis, with recommendations regarding changes and improvements being made to full Council;
- Effective financial management of the Council is conducted in accordance with Financial Regulations as Appended to Part 4 of the Constitution and appropriate professional standards, under the responsibility of the Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. This includes comprehensive budget setting processes and budgetary control systems, clearly defined capital expenditure guidelines and regular reporting mechanisms to Services and Members including quarterly and annual financial reports that indicate financial performance against forecasts. The Council has introduced a reporting mechanism to demonstrate the relationship between financial and operational performance. The Council has in place an annually updated financial plan in line with Central Government's funding policy and aligned with the authority's Corporate Plan;
- The Council maintains an Internal Audit Service, which operates to the Public Sector Internal Audit Standards;
- The Council has a formally constituted Audit Committee which is responsible for providing independent assurance on the adequacy and effectiveness of the authority's control environment;
- The Council has positions for two independent members to reside on the Audit Committee;
- The Council has an objective and professional relationship with external auditors and statutory inspectors, as evidenced in the Auditors Annual Report for previous years and maintained in 2023/24 with the Council's new external auditors Azets;
- There is a robust risk management approach which is considered and overseen by the Audit Committee. This enables the Council to identify, and take appropriate action to mitigate against or eradicate significant risks to the Council's objectives in line with the requirements of the Council's Risk Management Strategy. This approach is continually

being developed, maintained and embedded through the proactive participation of all services, which strengthens the links between risk management and audit;

- Corporate review of services, processes and procedures to ensure the economical, effective and efficient use of resources, combined with target setting and monitoring via a performance management framework designed to secure continuous improvement in the way in which its services are delivered;
- Services are delivered by suitably trained and experienced staff, all posts having detailed job descriptions and person specifications while training and development needs are identified through a staff appraisal scheme which ensures that objectives and targets are clear and agreed;
- The adoption and use of PRINCE2 methodology to ensure the effective and ultimately successful management of projects. This, combined with the regular meeting of the Business Assurance Group (BAG), enables the Council to proactively monitor and appraise appropriate projects;
- A comprehensive performance management and benchmarking framework including regular reporting to senior officers and Members through to Cabinet;
- An effective approach to engaging with local people and other stakeholders through partnership arrangements, electronic channels such as the website, e-mail, e-newsletters and social media, and through stakeholder engagement forums such as those undertaken for the Resident's Survey, Uttoxeter Master Plan and the Stronger Towns Fund. We also commissioned a 'Place Narrative' for marketing the local area for inward investment;
- A customer feedback scheme for the public to make complaints, comments, compliments and constructive criticism about any aspect of the Council's services, which is used to improve services;
- The Council's whistle-blowing policy enables the authority to receive and investigate alleged incidences of malpractice or illegal activities. The policy is reviewed and updated on a regular basis, and allows for staff, members, partners, public and other stakeholders the opportunity to report such instances of malpractice or illegal activity. The policy is widely publicised, and is effectively communicated to the aforementioned stakeholders;
- Appropriate governance arrangements are put in place for each of the partnerships the authority is involved with and relevant partnerships are reviewed;
- Developing the capacity and capability of Members in order to improve and become more effective, and also ensure that officers (including statutory officers) have the capability and capacity to deliver efficiency; and
- The authority's financial management arrangements conform to the governance requirements of the CIPFA statement on The Role of The Chief Financial Officer in Local Government. By doing so, the Authority is able to demonstrate that the core principles are adhered to and achieved.

Overall, therefore, the control environment includes the strategies, policies, plans, procedures, processes, structures, attitudes, and behaviours required to deliver good governance.

4. REVIEW OF EFFECTIVENESS

ESBC has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

In practice, this review of the effectiveness of the system of internal control is an ongoing process incorporating the various elements described above. This review has been carried out throughout 2023/24 and encompassed the following:

- The ongoing review of existing corporate policies and production and approval of new or revised policies and procedures in accordance with best practice. This included a refreshed Treasury Management and Annual Investment Strategy, an updated Medium Term Financial Strategy, a revised Procurement Policy, an update to the Anti-Social Behaviour Procedure, a revised Domestic Abuse Strategy and an Options Appraisal of the potential for shared services. A revised Risk Management Policy was approved and implemented in 2023/24;
- The Council responded to the 2021 Local Government Association Corporate Peer Challenge's recommendations in November 2022. The Peer Challenge Team's feedback was that the Council's response was very positive;
- The ongoing review of the Council's Constitution by Members and Senior Officers of the Council;
- The continued operation of clear policy and decision making through Cabinet and Regulatory Committees and review and challenge through Scrutiny Committees;
- Formal reporting mechanisms to members to review and monitor the work of the Internal Audit Service through reports to the Audit Committee, including an annual report containing an opinion statement on the overall adequacy and effectiveness of the Council's internal control environment;
- The development of the authority's chosen internal audit supplier, 360 Assurance, and implementing advice and guidance;
- The Audit Committee also, as part of its terms of reference, approves and/or recommends changes to the Annual Governance Statement, and reviews its content and effectiveness on an annual basis;
- The Audit Committee has received training and briefing sessions to support with its effectiveness;

- The Standards Committee is responsible for the Council's ethical framework, and works closely with the Monitoring Officer. Issues covered by the Committee's terms of reference include member conduct and ethical standards;
- There have been quarterly formal reports being considered by Cabinet which focus on both Corporate Plan and Financial Performance;
- The Audit Committee received and reviewed the quarterly financial performance reports which cover the revenue budget, capital programme, treasury management and risk management;
- The Scrutiny Value for Money Council Committee, Scrutiny Regeneration Development and Market Hall Committee, Scrutiny Climate Change and Environment Committee and Scrutiny Health and Wellbeing Committee received and reviewed quarterly corporate plan performance reports as well as reviewing all Executive Decision Records that have been taken by the Council's Cabinet Members. Two reports have also been initiated by Scrutiny Climate Change and Environment Committee: Scrutiny Review of Grounds Maintenance; and Scrutiny Review of Car Park Charges;
- The Leisure Operating Contract (LOC) states that a Partnership Board shall be maintained throughout the Contract Period, consisting of five representatives of the Authority comprising the Leader of the Council, Deputy Leader (Leisure, Amenities & Tourism), Chief Executive, Head of Service and Corporate & Commercial Manager on behalf of the Council and the Regional Director, Area Manager and Contract Manager on behalf of the Operator. This is chaired by the then Cabinet Member (Leisure, Amenities & Tourism) and supports the partners to work cooperatively with each other to discharge their respective responsibilities under the LOC and to provide strategic direction for the provision of the services and the operation of the Facilities;
- Regarding the Council's leisure services, a significant outsourced contract, the delivery of this partnership has continued to be managed closely on an ongoing basis and detailed performance reports presented quarterly to senior officers and elected Members, including the Scrutiny Value for Money Council Committee;
- The Council and its leisure operating partner have continued to work closely to manage the impact of COVID-19 and the increased cost of energy, the service and the contract, agreeing appropriate interim arrangements for support utilising appropriate government funding to minimise the impacts on leisure provision;
- The Council's ICT infrastructure and security arrangements remain robust and the ICT infrastructure remains patched and up to date to current standards, verified and backed up by regular vulnerability scanning and external penetration testing;
- In March 2022 the Council submitted the required project documentation to the Department for Levelling Up, Housing and Communities as required by the Heads of Terms for four projects contained within the original Burton upon Trent Town Investment Plan (December 2020). The Council was awarded £23.8m later in the year the subsequent programme of work was initiated;
- In March 2023 formal assurance had to be provided to DLUHC to state that "the Council had processes in place to ensure proper administration of financial affairs relating to

the funded projects". A positive statement was provided following an independent review of the processes by CW Audit on behalf of the Council's CFO;

- Internal Audit's review of services and functions based on a risk assessed audit plan, in order to provide an independent opinion on the adequacy and effectiveness of the system of internal control;
- Internal Audit's presence and participation on appropriate Council projects in order to provide additional assurance;
- There are regular review meetings that are held with external auditors and the Council's Chief Finance Officer and Chief Accountant;
- There are regular meetings that are held between the Head of Internal Audit and the Chief Accountant;
- There are regular meetings between the Council's three statutory officers to discuss risk and governance;
- The Council approved its Medium term Financial Strategy for 2024/25 to 2026/27 in February 2023.
- As well as supporting the continued delivery and improvement of our existing services, it made provision for significant investment in the Borough and was prepared following extensive discussion between Chief Officers, Managers and leading Members;
- It acknowledged that both demand for supported housing the planned reforms to local government finance as well as the current economic conditions has created a high degree of uncertainty within our financial planning. Nevertheless, the budget was balanced for the three year period pending the outcome of the local government reforms and supported housing disputes, whilst acknowledging that ongoing savings will be needed in the medium term in order to maintain financial sustainability;
- The Council has a robust underlying financial position which provides a strong foundation of financial resilience during these unprecedented times.

The requirement for the Council's opinion on governance arrangements being fit for purpose is delegated to the Audit Committee. Their opinion is informed by the Annual Governance Statement, Auditors Annual Report, Internal Audit annual opinion (and annual work programme) and other reports including those covering risk management and internal governance issues. For 2023/24 Internal Audit provided an opinion of significant assurance in the annual report presented to Audit Committee in June 2024 as detailed below:

"I am providing an opinion of Significant Assurance that there is a generally sound framework of governance, risk management and control designed to meet the organisations objectives, and controls are generally being applied consistently.

- **Strategic risk management** – I am providing an opinion of Significant Assurance. The Council has updated the Strategic and Corporate Risk Registers and further developed arrangements during 2023/24.
- **Internal Audit outturn** – I am providing an opinion of Significant Assurance for this element of the opinion. We have issued 1 moderate review and 1 limited review which

are in areas where the Council has requested inclusion in the plan as they were known areas of potential risk.

- **Implementation of Internal Audit Actions** – I am providing an opinion of Moderate Assurance for this element of the opinion. At year end the Council's overall action implementation rate was 62%."

5. SIGNIFICANT GOVERNANCE ISSUES

During the 2023/24 financial year no significant governance issues arose. There were no significant governance issues identified in the 2022/23 Annual Governance Statement requiring action.

However, the challenges brought on by the cost of living implications which were effectively managed throughout 2022/23 and 2023/24 will continue to be closely monitored and any associated impacts will be responded to appropriately.

We propose that we continue to maintain the level of governance at the authority, whilst striving to improve wherever we can.

Signed:

Leading Member on behalf of East Staffordshire Borough Council

Signed:

Chief Executive on behalf of East Staffordshire Borough Council