



CONSTITUTION COMMITTEE – 21 JANUARY 2025

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE

ANNUAL GOVERNANCE STATEMENT 2023-24

Purpose of the Report

1. The purpose of this report is to:
 - (a) Outline the background and approach taken to produce the County Council's 2023-24 Annual Governance Statement (AGS)
 - (b) Present the AGS for approval by the Constitution Committee (the Committee) prior to sign off by the Chief Executive and Leader of the Council.

Background

2. Regulation 6 of the Accounts and Audit Regulations 2015 states that each financial year a local authority must: -
 - (a) conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement
 - (b) consider the findings of the review by a committee which should approve the annual governance statement
 - (c) ensure the annual governance statement, is: -
 - approved in advance of the authority approving the statement of accounts; and
 - prepared in accordance with proper practices in relation to accounts
3. 'Delivering Good Governance in Local Government: Framework' by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE) (2016)¹ contains seven principles which set standards for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.

¹ In mid-January 2025, CIPFA is due to publish a consultation on the Addendum to the 2016 Governance Framework covering the annual review of governance and the annual governance statement.

4. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
5. For the financial year being reported, the AGS encompasses the governance systems applied in both the Council itself, and any significant commercial and collaborative arrangements e.g. ESPO, East Midlands Shared Services (EMSS) that the Council is involved in, to provide a fuller picture including assurances.
6. The Code of Practice on Local Authority Accounting in the UK 2023-24 states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date, (31 March) and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported if pertinent to the prior year.
7. Draft versions of the AGS have been considered by the Corporate Governance Committee. However, within the County Council's Constitution (updated December 2024), at Part 3 - Responsibility for functions, under Section B: Responsibility for "County Council" functions, the Constitution Committee has a function to approve the County Council's final Annual Governance Statement. This is attached as Appendix A.
8. The AGS will accompany the audited Statement of Accounts for 2023-24 which are scheduled to be approved by the Corporate Governance Committee at its meeting on 24 January 2025.

Approach

9. The Public Sector Internal Audit Standards (PSIAS) allows the Head of Internal Audit and Assurance Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
10. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
11. The CIPFA/SOLACE Framework (the Framework) requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code was revised in April 2022 and is scheduled to be reviewed and updated in 2025. Changes in legislation may also require the Code to be reviewed.
12. To ensure the AGS represents an accurate picture of the governance arrangements for the whole Council, each Director was required to complete a 'self-assessment' designed to provide details of the measures in place (systems, process, documents etc.) within their departments

during the financial year 2023-24, to ensure conformance (or otherwise) to the Framework. The self-assessment also allowed for the recognition and recording of areas where developments are required.

13. The departmental self-assessments required a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a quantitative approach to assessing compliance against the seven principles contained in the Framework allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment.
14. A Corporate Assurance Statement was also completed to gain an overall organisational perspective of processes in place. This statement also allowed for the recognition and recording of areas where developments were required.
15. The completed statements were analysed along with various other sources of evidence to determine whether there were any significant governance issues (see below) that should be reported in the AGS. Other sources include: -
 - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council.
 - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment (its framework of governance, risk management and internal control arrangements).
 - c. Evaluation of any negative media articles.

Outcome of the 2023-24 review of the Governance Framework

16. Sections 1 to 4 of the AGS provide background. Section 5 explains that the AGS has been considered by a Senior Officer Group comprising of:
 - Director of Law and Governance (the Council's Statutory Monitoring Officer)
 - Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
 - Head of Democratic Services
 - Assistant Chief Executive
 - Assistant Directors – Finance & Commissioning and Corporate Services
 - Head of Internal Audit and Assurance Service
17. Section 6 provides details of the forms of assurance considered. It introduces the control environment of the County Council before expanding into the wider commercial and collaborative bodies governance arrangements.

18. The County Council has defined 'Significant Governance Issues' (SGI) as those that:

- a. Seriously prejudice or prevent achievement of a principal objective of the authority;
- b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
- c. Have led to a material impact on the accounts;
- d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
- e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment.
- f. Have attracted significant public interest or have seriously damaged the reputation of the organisation.
- g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;
- h. The issue has resulted in a legal breach or prompts intervention from a regulator.

19. Section 7 provides an update on 'Action Taken on Governance Issues Previously Reported in the 2022-23 AGS'. Of the four previously reported:

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- (a) Firs Farm and School Admissions were both closed in May 2024
- (b) Early Years deficit has been closed in January 2025. Update January 2025 - Original Internal Audit Service recommendations have been addressed.
- (c) SEN Budget Deficit and OfSTED revisit. Update January 2025 - Following a further improvement recommendation in the Auditor's Annual Report 2023-24, the DSG element of the issue remains open. However, the EHCP element has been closed as this is a nationwide issue

20. Section 8 provides details on two Significant Governance Issues Arising During 2023-24: -

- (a) Environment & Transport Department – Update January 2025 – the Department has reported good progress against implementing actions. Internal Audit Service will review and confirm the position in January and whether the governance arrangements are appropriate.
- (b) Capital Programme – Update January 2025 - Lessons learned from large capital schemes is being used to inform the way future tenders are completed. There are continual actions underway to monitor and improve the risk.

Whilst January updates have been provided, three SGIs remain 'open' at the time of this report. They will be re-considered during the compilation of the draft 2024-25 AGS.

21. Section 9 contains what the Senior Officer Group determined as Future Challenges. These will be subject to scrutiny through existing reporting channels.

22. Section 10 explains that approval and ownership of the AGS has been reflected at corporate level and the statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website. The overall opinion is that the Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.
23. The Annex provides an overview of accumulated responses to departmental and corporate self-assessments against the seven principles. Each accumulated response is 'good' meaning that conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.

Recommendations

24. The Committee is requested to: -
- a. Approve the 2023-24 AGS
 - b. Approve that the Director of Corporate Resources be authorised to update the AGS as necessary to align with the finalised Statement of Accounts for the County Council and the Pension Fund (yet to be approved), noting that such changes will be reported to the Corporate Governance Committee and the Leader as appropriate.

Resource Implications

25. None.

Equality and Human Rights Implications

26. None.

Background Papers

Accounts and Audit Regulations 2015

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016)

Report to Corporate Governance Committee 20 May 2024, 'Provisional Draft Annual Governance Statement 2023-24

<https://democracy.leics.gov.uk/documents/s182693/cover%20report%20-%20Provisional%20Draft%20Annual%20Governance%20Statement%202023-24.pdf>

<https://democracy.leics.gov.uk/documents/s182704/Appendix%20A%20-%20Provisional%20Draft%20Annual%20Governance%20Statement%202023-24.pdf>

Draft Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2023/24

<https://www.leicestershire.gov.uk/sites/default/files/2024-06/2023-24-Draft-Statement-of-Accounts-Annual-Governance-Statement-and-Pension-Fund-Accounts.pdf>

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix A - Annual Governance Statement 2023-24