

Draft Annual Governance Statement 2022/23

Appendix 1



Introduction

The Annual Governance Statement is a review of our activities to ensure that the council is carrying out its functions effectively. This statement explains how the council has discharged its governance responsibilities during the period from 1 April 2022 to 31 March 2023, the key governance mechanisms in place and planned improvements for 2023/24 and beyond.

Our risk management process is a key part of our governance arrangements and provides assurance that:

- our business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and;
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

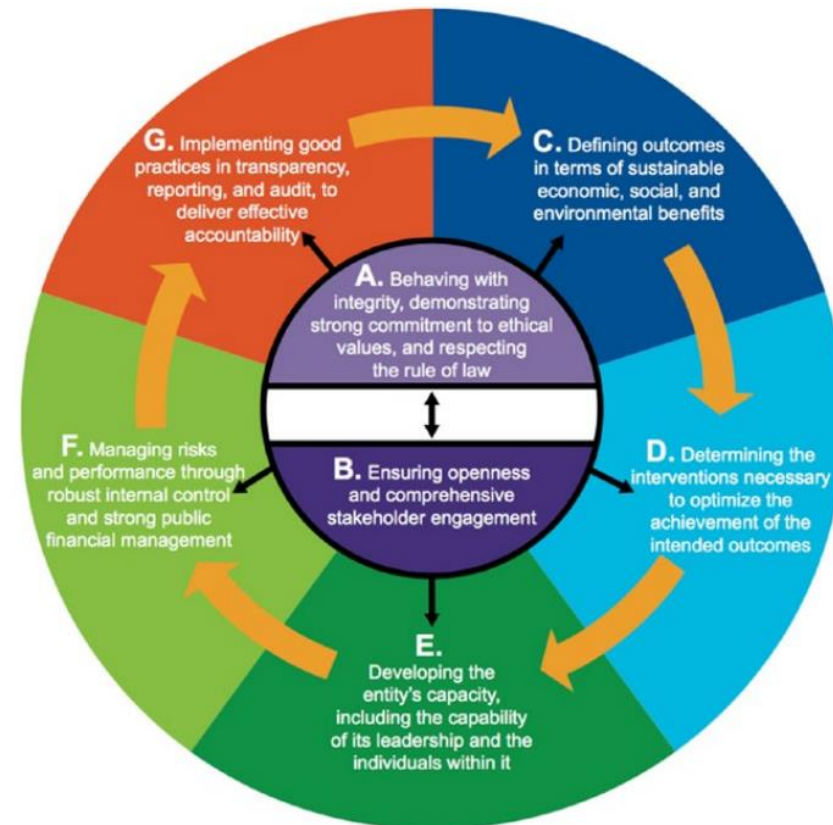
The purpose of the Governance Framework

The council is committed to improving governance through a process of continual evaluation and review, delivered through the seven principles of good governance as identified in the Delivering Good Governance in Local Government Framework 2016 and supported by the council's Constitution and processes which strengthen corporate governance.

Our system of internal control is designed to manage risk to a reasonable level and is based on an ongoing process to identify and manage risks to the achievement of policies, aims and objectives, to evaluate the likelihood of those risks being realised,

and to manage them efficiently, effectively and economically. It cannot eliminate all risk of failure but provides reasonable assurance of effectiveness.

This Annual Governance Statement is published in accordance with the CIPFA/SoLACE Delivering Good Governance in Local Government Framework 2016. The council aims to achieve good standards of governance by adhering to the seven core principles below:



Overview of Governance Framework

Key elements of the council's governance framework, which have been in place throughout, 2022/23 are set out below:

Leader, Cabinet and Council

The council operates a leader and cabinet model of governance in which the Leader and Cabinet are responsible for all of the council's executive functions except those required by law or the Constitution to be undertaken by full Council.

Decision Making

Decisions may be taken by full Council, Cabinet, individual Cabinet Members (for decisions that sit within their portfolio areas), Committees and Sub-committees and Officers who have been delegated specific responsibilities in accordance with the council's scheme of delegation. There is an approved governance process for each type of decision, supported by the legal requirements and provisions set out in the council's Constitution.

Risk & Performance Management

The council's risk management arrangements ensure operational and strategic risks are managed effectively to support increased performance and delivery of corporate priorities. Identified risks and mitigating controls are monitored through Service, Directorate and Corporate Risk Registers, reported to the Corporate Leadership Team and Audit and Governance Committee.

Statutory Officers

- Head of Paid Service (the Chief Executive): responsible for the operational management, leadership and strategic direction of the council, alongside the management and performance of the Corporate Leadership Team.

- Director of Governance and Legal Services (the Monitoring Officer): responsible for maintaining the Constitution and ensuring that functions act in accordance with the Constitution and relevant legal requirements. These arrangements include overseeing the ethical conduct of the council and the production of associated codes, conventions and protocols.
- Chief Finance (Section 151) Officer: responsible for the oversight and delivery of financial management arrangements; achieved through a robust financial control framework, financial procedure rules, a scheme of delegation and an independent and objective Internal Audit function.
- Statutory Scrutiny Officer: responsible for promoting the role of the council's Scrutiny Committees within the council and providing guidance and support to Scrutiny Members. This role cannot be held by the Head of Paid Service, Monitoring Officer or Chief Finance Officer.

Corporate Leadership Team

The council's Corporate Leadership Team (CLT) is collectively responsible for ensuring that effective governance arrangements are in place and are subject to regular review. CLT provides leadership, determines policy and upholds expected standards of behaviour.

Scrutiny Committees

Scrutiny is a statutory role fulfilled by councillors who are not members of the Cabinet. The role of the scrutiny committees is to help develop policy, to carry out reviews of council and other local services, to provide effective challenge and to hold decision makers to account for their actions and decisions.

Audit and Governance Committee

The Audit and Governance Committee oversees the council's audit and corporate governance arrangements and provides independent assurance on the adequacy of the risk management framework and internal controls. The Committee considers annual audit plans and reports of internal and external auditors.

External Audit

External Audit provide an opinion on the council's annual Statement of Accounts and review the council's Value For Money (VFM) arrangements which are designed to secure economy, efficiency and effectiveness in its use of resources.

Internal Audit

Internal Audit provides an independent and objective opinion on the council's governance, risk management and control environment; evaluating effectiveness through a risk based approach. The annual Internal Audit Plan comprises: operational audit reviews, cross-cutting governance audits, annual review of key financial system controls, IT audits, grant assurance work and any other special or unplanned review; aligned to the council's corporate risks.

Review of Effectiveness

The review of effectiveness is informed by the work of Senior Officers and managers with responsibility for the design and maintenance of an effective governance environment. It is also informed by the work of Internal Audit and the annual opinion provided by the Head of Internal Audit.

The results of the annual review of the effectiveness of the council's governance arrangements during 2022/23 are set out below and demonstrate how the council has complied with the seven principles of the CIPFA/Solace Framework.

Areas for improvement, where it is recognised that governance arrangements could be further strengthened, are included as part of the assessment and these are supported by a detailed action plan. Progress against the plan will be reported to Audit and Governance Committee to ensure that work is undertaken to deliver the identified improvements.

Assessment of the effectiveness of governance arrangements during 2022/23

Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Key aspects of the council's governance arrangements during 2022/23:

We have arrangements in place to provide assurance that our values are upheld, and that members and officers demonstrate high standards of conduct and behaviour to comply with laws and regulations. These include:

- Codes of conduct for officers and Members, revised in 2022/23;
- The Constitution, reviewed in 2021/22 as part of the council's 'Rethinking Governance' programme and adopted in May 2022, which sets out how the council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people;
- A Whistleblowing Policy, revised in 2022/23 to simplify and include further guidance for staff and managers, including alternative routes for staff and a manager checklist;
- An Equality Policy, to demonstrate our commitment to equality of opportunity for all citizens, in line with the Public Sector Duty as set out in the Equality Act 2010;
- Processes to support delivery of the council's ethical values including Declarations and Registers of Interests;
- A Corporate Complaints Policy ensuring effective investigation and appropriate response to formal complaints; and
- A Shareholder Committee, established in 2022/23, to provide governance arrangements in relation to companies and other legal entities wholly or partly owned, or controlled by the council.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to promote a culture of accountability and strong ethical values through officer and Member training; to increase constitutional awareness and individual responsibility for compliance and ensure that these values become embedded in behaviour.

- Monitoring and oversight of financial and other risks and decision making in respect of the council's subsidiaries to ensure effective governance and separation of duties.
- The Shareholder Committee will ensure that the council's management of its obligations as shareholder, is structured and transparent.

Core Principle B: Ensuring openness and comprehensive stakeholder engagement

Key aspects of the council's governance arrangements during 2022/23:

The Chief Executive and Corporate Leadership Team value and are committed to ensuring that employee feedback is sought, listened to and acted upon. To promote engagement and maintain effective employee relations, monthly all staff briefings are hosted by the Chief Executive and Leadership Group.

Activity during 2022/23 comprised:

- Strengthened engagement with staff through a weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Flexible Futures: Investment in improvements to technology and workplaces to enable collaborative and flexible working practices and support the wellbeing of all employees.
- The 2022 Employee Survey: responses have been considered by the Corporate Leadership Team and the Employee Survey 2022-24 Action Plan has been developed to respond to the priorities identified. Progress against the plan will be reported quarterly.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: the Health and

Wellbeing Strategy, the Big Economic Plan, 2023/24 Budget proposals, Signs of Safety survey.

- The council's 'Making It Real' Board was reinvigorated to enable individuals with lived experience to play an active role in adult social care. Members of the Community Wellbeing Directorate Leadership Team have provided regular information and updates to the Board and sought input. In 2022/23, the Board has provided support to improve guidance for financial assessments and has been actively involved in plans for the new Museum to ensure that it is fully accessible.
- The Herefordshire Sustainable Growth Strategy Board was formed in 2022/23 to lead the development of the UK Shared Prosperity Investment Plan and Big Economic Plan. The Economy and Place Partnership Board, consisting of public, private and voluntary sectors, will lead the delivery of the plan in 2023/24 and beyond.
- The council's environmental ambitions and activities are driven by the Climate and Nature Partnership Board which brings together expertise and knowledge across conservation, wildlife, architecture, farming, agricultural policy and media sectors to drive and coordinate achieving zero carbon in the county by 2030.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved co-ordination of the council's internal and external inspection and regulatory framework, to inform assurance and improve information sharing and shared learning from lessons learnt across the organisation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.

Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Key aspects of the council's governance arrangements during 2022/23:

- Cabinet agreed the Delivery Plan for 2022-23 on 31 March 2022, in delivery of the County Plan that runs from 2020 to 2024. Performance against the actions identified to deliver the ambitions of the Plan is monitored and reported to Cabinet quarterly. Reporting identifies the lead officer, outlines progress made in the quarter against the performance measures relevant to each action and indicates the assessed risk of delivery.

- There are three key objectives of the county plan that are followed through with actions in the delivery plan:

Environment: Protect and enhance our environment and keep Herefordshire a great place to live

Community: Strengthen communities to ensure everyone lives well and safe together

Economy: Support an economy which builds on the county's strengths and resources

- The council's Big Economic Plan and draft delivery plan sets a vision for sustainable economic growth of the county, improving the quality of life for all, while protecting the natural environment as a key asset. The Six Capitals approach, on which the plan is modelled, provides a framework of actions to tackle climate change and environmental issues, encourage community and social enterprise and identify opportunities in a growing green economy. Delivery of the Plan will be monitored by the Herefordshire Economy and Place Board.

- The Herefordshire Climate and Nature Partnership, established in 2021/22, has continued to drive the county's goal to become carbon net zero and nature rich by 2030 through community engagement and the Greener Footprints campaign.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2023/24 will support transparent and timely reporting aligned to the council's priorities and key objectives.
- Development of the Herefordshire Economy and Place Board in 2023/24 to implement the Big Economic Plan and support effective and collaborative partnership working.
- Consideration of environmental, social and economic arrangements as part of the council's wider deliverables, governance and decision making processes.

Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Key aspects of the council's governance arrangements during 2022/23:

- The council has robust processes in place to support financial planning and sustainability. The budget is informed by the Medium Term Financial Strategy (MTFS) with key risks and assumptions clearly identified and reported to Members. The budget setting process identifies financial pressures and savings proposals and these are subject to challenge and scrutiny by relevant stakeholders.

- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2022/23.
- Responsibility for the delivery of the council's strategic objectives lies with individual Directorates and this is monitored through individual Directorate Plans, Service Business Plans and Individual Personal Development Plans to ensure the alignment of individual activity to corporate ambitions.

Areas where it is recognised that governance arrangements could be further strengthened include:

- In addition to improvements in performance monitoring arrangements, there is a need for a robust system of accountability for performance against corporate, financial and management targets.
- Planned transformation activity in 2023/24 under the council's 'Thrive' programme will accelerate the achievement of improvements in service delivery to include digital transformation and an efficient and improved customer experience.

A key area for improvement for the council is the transformation of children's social care services to address areas identified for improvement following an Ofsted review of the service in July 2022.

In September 2022, the council's Children's Services were rated inadequate and a statutory direction was issued by the Secretary of State and a Commissioner for Children's Services was appointed. Planned actions to improve are noted below under Significant Governance Issues.

Core Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

Key aspects of the council's governance arrangements during 2022/23:

- To deliver the council's objectives, we rely on our staff to undertake daily duties underpinned by the PEOPLE values; a set of principles which shape our culture, guide activity and aid decision making:

People: treating people fairly, with compassion, respect and dignity

Excellence: striving for excellence, and the appropriate quality of services, care and life in Herefordshire

Openness: being open, transparent and accountable

Partnership: working in partnership and with all our diverse communities

Listening: actively listening to, understanding and taking into account people's views and needs

Environment: protecting and promoting our outstanding natural environment and heritage for the benefit of all

- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. The council has invested significantly in its learning offer, informed by feedback from the employee survey. The My Learning Hub includes topics covering core skills identified as learning gaps in the survey including: coaching skills, resilience, public speaking and presentation, productivity and smarter working.
- The council's performance and development planning process: My Conversation, covers employee health and wellbeing, a review of performance, individual outcomes and personal development and this process promotes discussion and sharing of feedback and recognition.
- The Workforce and Organisation Development Strategy supports the council's aim to develop an engaged, agile and resilient workforce, enabled through the council's

Flexible Futures programme and planned transformation activity.

Areas where it is recognised that governance arrangements could be further strengthened include:

- The capacity and capability of Members and officers should be further developed through enhanced arrangements for tailored training relevant to individual roles and responsibilities.
- The council's recruitment and retention activity should be reviewed, in the context of regional and national recruitment challenges, to ensure the permanency of our workforce to create stability, consistency and continuous improvement in the delivery of services.

Core Principle F: Managing risks and performance through robust internal control and strong public financial management

Key aspects of the council's governance arrangements during 2022/23:

- The council's performance management framework sets out the approach to business planning, monitoring performance and risk management and this structure enables the alignment of resources, people and finance to the ambitions outlined in the County Plan. Quarterly budget and performance reports are presented to Cabinet to report progress against the agreed revenue budget, capital programme, savings and service delivery targets.
- Risk management involves the identification, analysis and control of threats or events that adversely affect the achievement of the council's strategic and operational objectives. It also enables positive risks to be taken to innovate and improve service provision. The council's Risk Management Plan details the methodology for evaluating

corporate risk management arrangements and its delivery is monitored by Audit and Governance Committee.

- The council operates 3 levels of risk registers; Corporate, Directorate and Service. The highest risks are included in the Corporate Risk Register, with lower level operational risks recorded in Service Risk Registers. Alongside these, project risks are identified in Project and Programme Risk Registers.
- The council's Counter Fraud and Corruption Strategy promotes a culture in which fraud, bribery and corruption are not tolerated and supports the prevention and detection of fraud across the organisation. Work to raise awareness internally and externally has been carried out in 2022/23: additional training has been delivered to staff and Members, the website content has been improved to aid the reporting of instances of fraud and we have continued to develop methods of partnership working to identify and investigate fraud.
- An assessment of the council's maturity in relation to fraud was carried out by Internal Audit during the year and this highlighted improvements in culture and awareness as well as reporting, investigating and monitoring.
- The council supports and submits data for the National Fraud Initiative (NFI) and assesses all matches for review and, where appropriate, mitigation.
- The Financial Procedures Rules (FPRs) control the way the council manages its finances and safeguards its assets. They form part of the Constitution and outline the financial roles and responsibilities for staff and Members and provide a framework for financial decision-making.
- A review of internal financial reporting has been undertaken during 2022/23. Through consultation with stakeholders across the council and collaborative working, improvements in monitoring and reporting have been delivered to support the early identification of key financial risks and the implementation of recovery plans and mitigating actions.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Development of the Shareholder Committee, established during 2022/23, to monitor the position and performance of the council's subsidiary interests and identify risks relevant for escalation to Cabinet.
- A review of the council's risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
- The council's Corporate Leadership Team will set the organisational risk strategy aligned to planned transformation activity in 2023/24 and training will be developed for Officers and Members.

Core Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Key aspects of the council's governance arrangements during 2022/23:

- Information is published on the council's website to provide details of the working of the organisation, what we spend, and how our decisions are made. All council decisions are published, along with agendas and minutes for Committees.
- Cabinet or Cabinet Member decisions are in place for all related activity, with appropriate delegations identified.

- Cabinet members are briefed at monthly portfolio briefing meetings, and weekly cabinet meetings.
- The council's Monitoring Officer has a specific duty to ensure the council, its Officers and Members maintain the highest standards in their values and behaviours.
- Arrangements are in place to ensure that we fully comply with the requirements of the Public Sector Internal Audit Standards (PSIAS) and CIPFA Statement on the Role of the Head of Internal Audit.
- The council is registered as a Controller under the General Data Protection Regulation (GDPR) which governs how we manage and process the information we collect and retain. There is a nominated Data Protection Officer and procedures in place that explain how we use and share information, as well as arrangements for members of the public to access information.

The governance arrangements, as identified above, have been effective in the period from 1 April 2022 to 31 March 2023. Areas where it is recognised that governance arrangements could be further strengthened include:

- Increased focus on the council's performance measures and cohesive public reporting through improved performance monitoring and holding to account against corporate objectives.
- To ensure that there is an effective and transparent scrutiny process, additional training should be provided and a strengthening of arrangements for briefing sessions between Members and officers.

Significant Governance Issues

The review of governance arrangements has identified the following areas which will be a key focus for the council's leadership in 2023/24:

- **Improvements in Children's Services:** the Herefordshire Children's Services Improvement Plan has been developed to transform children's social care services. The detailed action plan sets out how the council will address each of the areas identified for improvement by Ofsted following a review of the service in July 2022 and a further area identified during a recent Local Government Association (LGA) Special Education Needs & Disabilities (SEND) Peer Review. It has been developed in collaboration with a range of stakeholders including children, young people, parents, carers, the workforce and multi-agency and cross-sector partners. Delivery against the plan will be monitored through the Children's Improvement Board, chaired by an independent Improvement Advisor, and reported to Cabinet. The council will continue to work closely with the Children's Commissioner and the Department for Education appointed Improvement Advisor, to deliver improvements in 2023/24. The Commissioner will continue to oversee the improvement programme and the council will look to secure a long-term improvement partnership with another Ofsted rated 'Good' or 'Outstanding' neighbouring local authority to support best practice in the implementation of activity to improve outcomes for children and young people across the county.
- **Financial Management & Resilience:** ensuring that financial monitoring is supported by a robust and realistic budget and effective and timely in-year monitoring of performance against budget and delivery of agreed savings plans.

Audit and Audit Assurances

The council's Statement of Accounts are audited by Grant Thornton UK LLP. In accordance with statutory requirements, the annual audit includes an examination and certification of the financial statements to confirm they are 'true and fair' and free from material misstatements and an assessment of the council's arrangements to secure economy, efficiency and effectiveness in its use of resources. In 2021/22, Grant Thornton gave an unqualified audit opinion on the financial statements.

Internal audit services are provided South West Audit Partnership (SWAP) and these services are managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS). SWAP is responsible for reviewing the adequacy of internal controls across all areas of the council's services, providing risk-based and objective assurance, advice and insight.

The annual Internal Audit plan and Internal Audit Charter are presented to and approved by the Audit and Governance Committee. The plan includes a range of activity designed to provide appropriate coverage of key business objectives, associated risks and the risk management process and the council's corporate governance arrangements.

Further assurance is provided by reviews undertaken by external agencies including OFSTED, the Care Quality Commission, the

Office of the Information Commissioner and other Local Authority Inspectorates.

For the year ended 31 March 2023, the Head of Internal Audit issued a Reasonable Assurance opinion on the overall adequacy and effectiveness of the council's governance, risk management and internal control environment.

Certification

To the best of our knowledge, the governance arrangements, as defined above have been effective for the period from 1 April 2022 to 31 March 2023. We will use the areas for improvement identified through this review of effectiveness to ensure that these governance arrangements, alongside identified areas for improvement, continue to provide effective foundations for the council to achieve its objectives.

Paul Walker
Chief Executive
Date: XX/XX/2023

Jonathan Lester
Leader of the Council
Date: XX/XX/2023