

# Governance statements 2023/24



## 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 2023 to 31 March 2024, the key governance mechanisms in place and planned improvements for 2024/25 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.

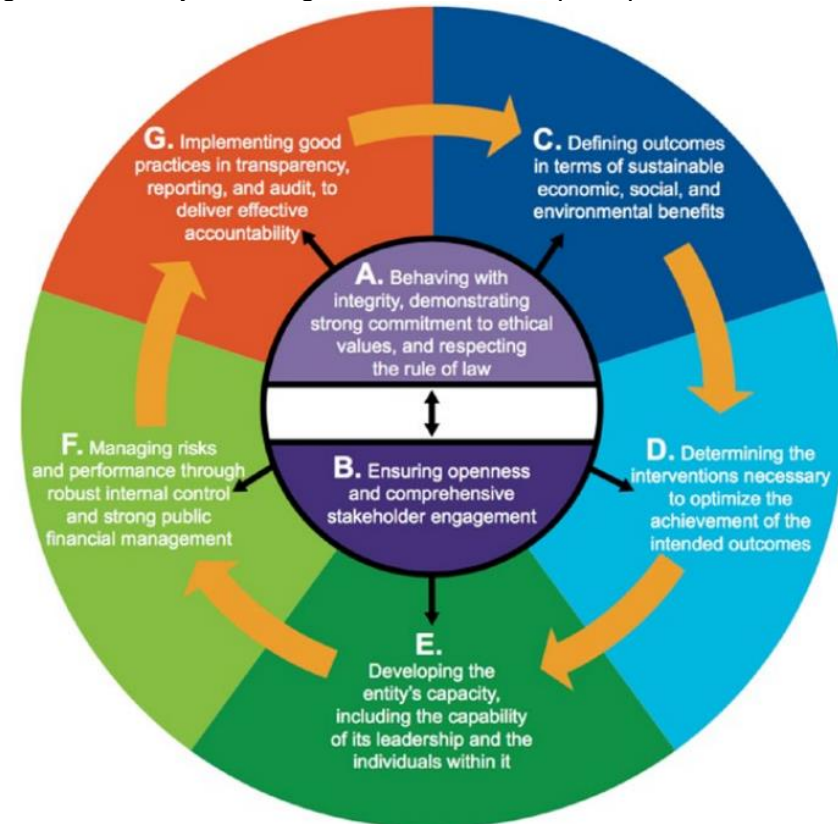
## The purpose of the Governance Framework

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 2023/24 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 and financial procedure rules. 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 and 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 2023/24 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 2023/24**

**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 2023/24:**

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:

- Following the May 2023 election, an induction and training programme was provided for newly and re-elected Members. Mandatory training included ethical standards and the Code of Conduct, information governance, scrutiny and decision making, corporate parenting and children and adults safeguarding.

- A programme of governance and decision making training was made available to all staff during 2023/24 and governance training is included as part of the council induction for new starters;
- A Colleague Handbook, developed during 2023/24, provides a useful reference tool to share key information and signpost staff to policies and procedures and the council's values and behaviours.
- Codes of Conduct for officers and Members.
- The Constitution 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, approved by Audit & Governance Committee in 2023/24, which provides employees, and others with a framework to raise concerns that may be in the public interest.
- 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.
- The Shareholder Committee approved the appointment of new Directors to its subsidiary companies in April 2023 to ensure appropriate capacity and expertise in the representation of the council's interests.
- Arrangements and processes by which the Standards Panel consider breaches of the Code of Conduct have been strengthened during the year to improve transparency

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- We will continue to review the council's Constitution and associated documents to simplify and enhance visibility across officers, Members and residents.
- We will continue to promote a culture of accountability and strong ethical values through additional training to Officers to support the documentation of evidence-based decision making and reporting.
- Improvements to governance arrangements for council business ventures will be delivered in 2024/25, to ensure lines of responsibility and accountability are clearly defined and delegations of authority are formally agreed. These principles will provide a robust control framework, supported by an adequate audit trail and promote further transparency in decision making.

**Core Principle B:** Ensuring openness and comprehensive stakeholder engagement

## **Key aspects of the council's governance arrangements during 2023/24:**

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

Activity during 2023/24 comprised:

- Strengthened engagement with staff through the Chief Executive's weekly staff update to share staff news, wellbeing advice, training and development opportunities and relevant partner news.
- Introduction of new employee network groups to strengthen the voices of employees and provide a safe environment for colleagues who share identities, life experiences or cultures to raise awareness, challenge discrimination and initiate positive change in the workplace.
- Additional officer training in respect of the Regulation of Investigatory Powers Act (RIPA) 2000.

- Political Group Consultations to inform decisions with financial or community significance; to provide a political viewpoint for officers to capture in key decision reports and ensure transparent political choices for the electorate.
- The council's four-year Workforce Strategy 2024-28 was approved following engagement with staff and consultation with the Corporate Leadership Team, Leadership Group, UNISON and Scrutiny Management Board. Refreshed values and behaviours sit at the core of the strategy to reflect the culture of the council.
- Feedback from events and surveys to inform the council's corporate priorities. Consultations and surveys, to engage the views of stakeholders, included: garden waste collection survey, Council Plan 2024-28 consultation, 2024/25 Budget proposals, Herefordshire Local Plan and the Local Transport Plan.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. 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, with a centralised record of all priority recommendations to enable proactive monitoring of implementation.
- Continuous review and update of council strategies and policies which support stakeholder engagement and transparency; aligned to the council's wider transformation programme.
- The appointment of an independent Member to the Audit & Governance Committee to provide specialist knowledge and insight and complement the skills and experience of existing Members.

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

## **Key aspects of the council's governance arrangements during 2023/24:**

- Performance against 2023/24 Delivery Plan actions has been reported quarterly to Cabinet. Reporting identifies the lead officer and outlines progress made in the quarter against the performance measures relevant to each action and indicates the risk of delivery.
- Development of the Herefordshire Council Plan 2024-28 to provide the strategic framework for the council; outlining the vision, priorities and objectives for the next four years and inform the use of the council's resources.
- Progress towards the four corporate priorities identified in the plan will be monitored by the Delivery Plan and supporting strategic documents including the Big Economic Plan, The Local Plan, Integrated Waste Strategy, Health and Wellbeing Strategy, Children's Improvement Plan, Medium Term Financial Strategy, Capital Strategy, Carbon Management Plan, Hereford City Masterplan. The corporate priorities for 2024-28 are:

**People:** We will enable residents to realise their potential, to be healthy and to be part of great communities who support each other. We want all children to have the best start in life.

**Place:** We will protect and enhance our environment and ensure that Herefordshire is a great place to live. We will support the right housing in the right place, we will support access to green spaces and we will do everything we can to recover the health of our rivers

**Growth:** We will create the conditions to deliver sustainable growth across the county; attracting inward investment, building business confidence, creating jobs, enabling housing development along with providing the right infrastructure.

**Transformation:** We will be an efficient council that embraces best practice, delivers innovation through technology and demonstrates value for money.

- The council's Carbon Management Plan 2020/21 to 2025/26 and supporting action plan aims to deliver a 75% reduction in carbon emissions by 2025/26; an interim target on a path to carbon neutral by 2030/31.
- The Herefordshire Climate and Nature Partnership continues 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 Herefordshire Economy and Place Board supported implementation of the Big Economic Plan during 2023/24 to deliver a collective vision for the county through collaboration and partnership working.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improvements to the council's performance monitoring arrangements in 2024/25 will support transparent and timely reporting aligned to the council's revised corporate priorities and key objectives.
- Development of annual Service Plans to outline service area priorities and key areas of focus to achieve the Council Plan objectives.
- 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 2023/24:**

- 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.

- Quarterly reporting to Cabinet during 2023/24 highlighted a forecast overspend against the approved budget from Quarter 1. This prompted the implementation of additional expenditure controls and management recovery actions with a resulting positive impact on the final outturn position for the financial year.
- Performance against actions from the council's Delivery Plan was reported quarterly to Cabinet during 2023/24.
- 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, the council has identified areas for improvement in its approach to risk management to strengthen oversight of strategic risks and support the identification of robust mitigating actions.
- Work to deliver the council's programme of THRIVE transformation activity has continued during 2023/24 with engagement through regular briefings to staff and the council's Leadership Group. Work to develop a new council operating model will be finalised in 2024/25.

A key area for improvement for the council is the continued 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. The council has responded positively to the findings of these reviews with enhanced governance and oversight arrangements and significant financial

investment. Further 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 2023/24:**

- To deliver the council's objectives in 2023/24, activity has been underpinned by the PEOPLE values; a set of principles to 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.

- The Workforce Strategy 2024-28, developed during the year, commits to nurturing a culture of excellence, empowerment and growth with the THRIVE core values as the guiding principles to shape the culture and behaviours within the council: **TRUST, HONESTY, RESPONSIBILITY, INCLUSIVITY, VALUE** and **EMPATHY**.
- Mandatory learning is in place for all staff and monitored by Directorate Leadership Teams. A Coaching Culture development programme was launched in 2023 to support managers in developing coaching skills using three key tools: Mindset, Lessons and Assessments; available to all leaders across the council.



- Review of the council's recruitment and retention strategies has continued during 2023/24 including regular pay benchmarking, adjustments to ensure a competitive employment offer and improved controls in the use of agency staff.
- The Head of Paid Service and political leadership of the council continue to review organisational capacity and capability.
- 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 council benefits from leadership, training and development opportunities offered by the Local Government Association to enhance council leadership, skills and capacity and support officers and Members to deliver effectively in their roles.

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

- Continued development of leadership skills across the organisation to empower leaders at all levels with the skills to inspire, guide others and drive the council forward.
- Promotion of accountability and responsibility for delivery of budget and performance objectives by front line managers through additional training and development of regular information and enhanced reporting tools.

**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 2023/24:**

- 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 action 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 2023/24: additional training has been delivered to staff and Members, additional resources to raise awareness of fraud have been made available to staff and we have continued to develop methods of partnership working to identify and investigate fraud.
- 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.

- Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to influence the final outturn position. A budget monitoring report is prepared for Directorate and Corporate Leadership Teams on a monthly basis. These reports are also presented at Cabinet Briefings in addition to the quarterly monitoring reported to Cabinet.
- Transformation Boards have been introduced during 2023/24 to manage the implementation of Directorate Transformation Strategies.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- A review of the council's risk management arrangements to ensure consistency, improved accountability and robust identification of actions to mitigate risk.
- Self-assessment against the CIPFA Financial Management Code to identify actions for improvement to support financial sustainability through effective financial management.

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

## **Key aspects of the council's governance arrangements during 2023/24:**

- 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 regular 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.
- Additional dedicated scrutiny training has been provided for Members and officers by the Centre for Governance and Scrutiny.

The governance arrangements, as identified above, have been effective in the period from 1 April 2023 to 31 March 2024. Areas where it is recognised that governance arrangements could be further strengthened include:

- Improved monitoring of recommendations arising from the council's internal and external audit framework to ensure timely delivery of management actions.
- Integration of equality impact assessments at the initial stages of developing new strategic, policies, functions or services to understand the potential impacts on individuals, and groups, in our communities and ensure effective consideration of equality, diversity and cohesion in all key decision making.

## Significant Governance Issues

Actions taken to address significant governance challenges during 2023/24 are noted below.

- **Improvements in Children's Services:** During 2023/24, the council has continued to work hard to deliver the improvements required in Children's Services. In July 2023, the council began its long-term improvement partnership with Leeds Relations Practice Centre (LRPC) who provide knowledge, skills, expertise and valuable experience to accelerate the council's onward improvement journey. Delivery against the Children's Services Improvement Plan has been monitored through the Children's Improvement Board, chaired by an independent Improvement Advisor, with progress reported to Cabinet. Arrangements to strengthen the monitoring of progress against priority areas have been implemented during the year. Findings and feedback from Ofsted monitoring visits during the year have been published by the council and Member briefings have taken place to improve awareness and understanding of key challenges and review latest performance. The Children's Commissioner has continued to provide expert insight and guidance throughout the year, undertaking formal six-monthly reviews to present recommendations for improvement, and the service has benefitted from the advice and support of the Department for Education Improvement Advisor.
- **Financial Management and Resilience:** Enhancements to internal financial reporting have supported early identification and effective management of financial risks during 2023/24; enabling recovery plans and additional expenditure controls to be implemented to have a positive impact on the final outturn position. Directorate control panels have been established to review expenditure on goods and services, as well as changes in staffing arrangements, to provide increased rigour and challenge over expenditure.

The review of governance arrangements during 2023/24 has identified the following areas which will be a key focus for the council's leadership in 2024/25:

- **Continued improvement in Children's Services:** As the council's number one priority, we will continue to make improvements to the services that we provide to children and their families. We will continue to work closely with our improvement partners and expert advisors to accelerate the pace of improvement and secure a better service.
- **Financial Sustainability:** The council's financial position continues to be challenging. The council has set a balanced budget for 2024/25 and we will continue to monitor the outturn position and achievement of savings targets throughout the year. Directorate expenditure controls will continue, as part of financial management arrangements, in 2024/25 to ensure delivery of services within the approved budget.
- **Dedicated Schools Grant:** At 31 March 2024, the council's Dedicated Schools Grant (DSG) cumulative deficit is £6.0 million and this is expected to increase further during 2024/25. The DSG deficit is accounted for as an unusable reserve on the council's Balance Sheet, as permitted via statutory instrument which will remain in place up to March 2026; beyond the period of the statutory override, any balance on the DSG unusable reserve will transfer back to the council's Earmarked Reserves. The council is committed to identifying actions to mitigate the DSG deficit, through the Deficit Management Plan, to reduce the potential impact on the council's overall financial position.

The key governance challenges facing the council in 2024/25 will be monitored by the Corporate Leadership Team and Audit & Governance Committee.

## 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 2022/23, Grant Thornton gave an unqualified audit opinion on the financial statements.

The external auditors work on the council's arrangements to secure value for money in 2022/23 did not identify any significant weaknesses in respect of the themes of financial sustainability and governance. The auditors reported a significant weakness, first identified in 2021/22, which remains in respect of improvement in children's services under the theme of improving economy, efficiency and effectiveness in the use of resources.

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 2024, 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 2023 to 31 March 2024. 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: 26/09/2024**

**Jonathan Lester**  
**Leader of the Council**  
**Date: 26/09/2024**