Redcar and Cleveland Borough Council

Annual Governance Statement

1 April 2022 – 31 March 2023

Introduction

1.   Governance is the general description given to the systems, processes, culture and values by which the Council is directed and controlled. CIPFA[1] has developed an International Framework: Good Governance in the Public Sector and defines Governance as follows:

"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

2.   In relation to public services, it further states:

"To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for services users and other stakeholders."

3.   The diagram from the International Framework, below, illustrates how the various principles for good governance in the public sector relate to each other. Principles A and B influence the implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

Achieving the Intended Outcomes
While Acting in the Public Interest at all Times

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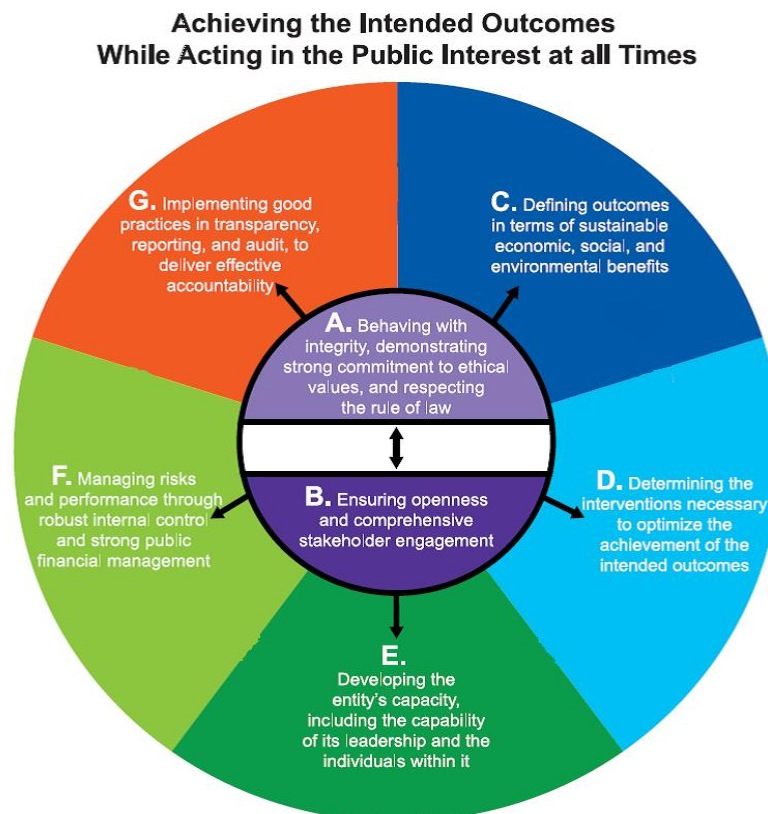
[1] CIPFA – The Chartered Institute of Public Finance and Accountancy

4.   The Accounts & Audit Regulations 2015 require the Council to prepare and publish a governance statement on an annual basis. This statement sets out:

- the Council's commitment to delivering robust governance arrangements;
- how the effectiveness of the governance arrangements is reviewed;
- how the significant risks and issues faced by the Council and identified within last year's statement have been mitigated; and
- key issues to be addressed in the coming year.

5.   The Council has developed a Code of Governance, which is consistent with the principles of the International Framework and supports the Annual Governance Statement.

Scope of Responsibility

6.   Redcar & Cleveland Borough Council's purpose is to serve its citizens primarily through the provision of statutory services supported by an ambitious programme of work designed to improve the economic, social and environmental well-being of our communities. It is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty to constantly seek to secure value for money and continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In these challenging economic times, good governance is critical to enable the Council to deliver on its priorities.

7.   In discharging its responsibilities, the Council must have in place a sound system of internal control and have proper arrangements for the governance of its affairs. These proper arrangements help the Council to effectively exercise its functions, including the management of its assessed risks.
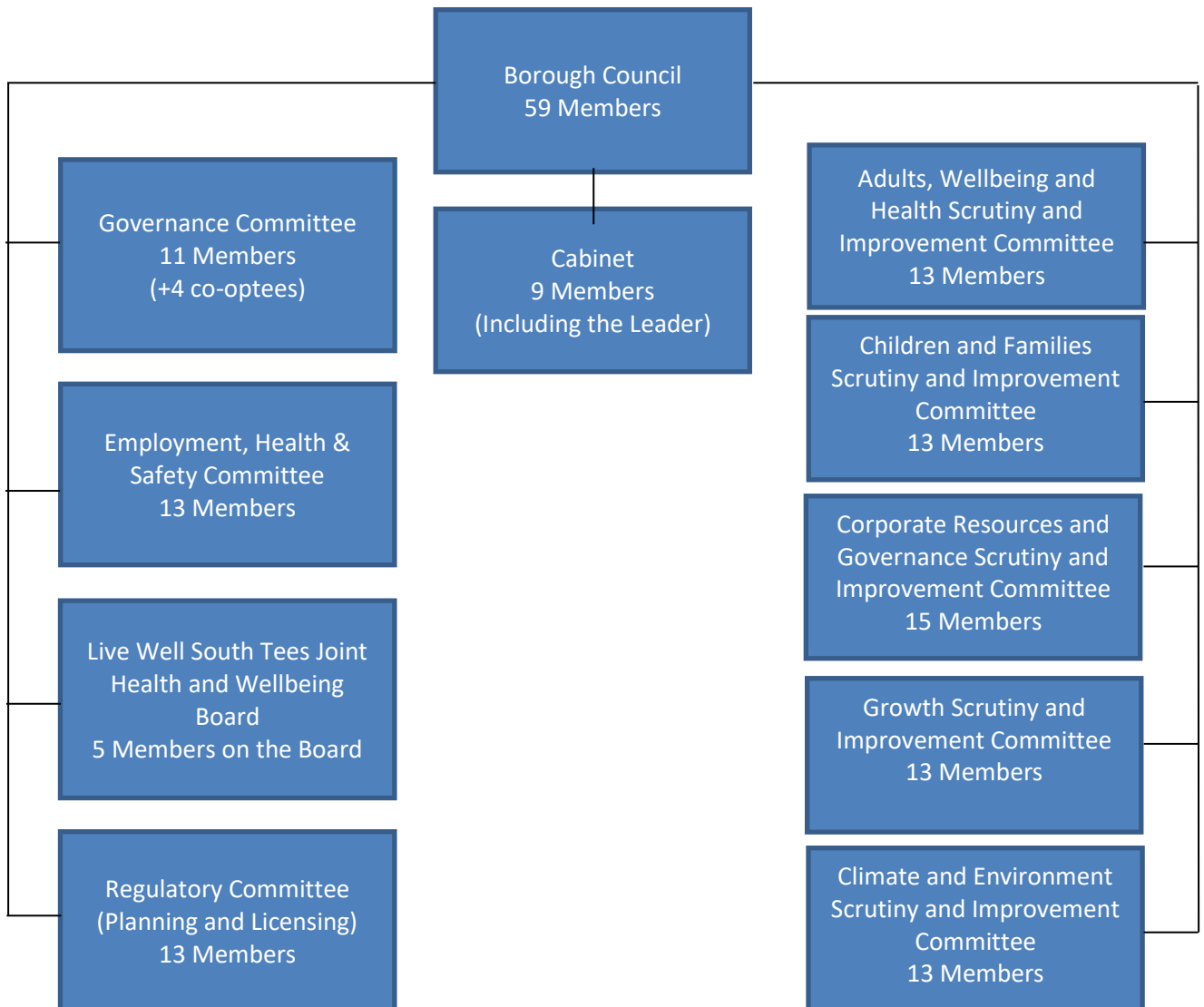
The Governance Framework

8.   The requirement to have a robust governance framework and sound system of internal control covers all Council activities. The internal control environment within the Council operates consists of a number of different key elements which, when taken together, contribute to the overall corporate governance framework enabling the Council to monitor the achievement of its strategic objectives, its key priorities and deliver value for money for the citizens of Redcar & Cleveland.

9.   The system of internal control is a significant part of the governance arrangements of the Council and is designed to manage risk to a reasonable and acceptable level. It cannot eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. It is based on an ongoing process designed to identify and prioritise the risks of the Council, to evaluate the likelihood of those risks occurring and the impact they would have, should they occur, and to manage them effectively.

10.   The overall Governance Framework described in this Statement has been in place within the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts for 2022/23.

11. The Council comprises 59 elected members representing the 24 Wards that make up the Borough of Redcar & Cleveland. Elected members are democratically accountable to the residents, and are elected every four years. They have a responsibility to ensure the Council is properly managed, and to maintain proper standards of behaviour.

12. Borough Council is responsible for agreeing the overall policy framework and setting the budget. The Council operates a system of Executive Arrangements with a strong leader and Cabinet model. Following Council elections in May 2023 and the subsequent Annual General Meeting, the current Cabinet comprises nine Members, including the Leader.

    - Leader of the Council – Councillor Alec Brown
    - Deputy Leader of the Council and Cabinet Member for Climate and Culture – Councillor Carrie Richardson
    - Cabinet Member for Health, Welfare and Housing – Councillor Ursula Earl
    - Cabinet Member for Children – Councillor Luke Myer
    - Cabinet Member for Resources – Councillor Chris Massey
    - Cabinet Member for Adults – Councillor Lisa Belshaw
    - Cabinet Member for Growth and Enterprise – Councillor Lynn Pallister
    - Cabinet Member for Highways and Transport – Councillor Carl Quartermain
    - Cabinet Member for Neighbourhoods – Councillor Adam Brookh

13. The constitution describes the various functions of the Council's decision-making structures, including the scheme of delegation, with Cabinet being the key decision making body.

14. Scrutiny holds the Executive to account through constructive 'critical friend' challenge and its power of 'call in'. Through Scrutiny & Improvement Committees, elected members review progress against objectives through discussion with Cabinet Members and through quarterly monitoring of financial and performance information. This improves decisions and outcomes. These Committees manage their work to enable them to look in more detail at individual topics, occasionally through cross party task and finish groups or other working group arrangements, making recommendations to Cabinet or Council as appropriate.

15. During the last year, the Council established an informal working group, jointly with neighbouring Councils, to work collaboratively with regards to their response to the mass mortality crustacean event that occurred in late 2021.

16. Joint Scrutiny Committee arrangements are also in place with neighbouring authorities to provide oversight and accountability reflecting more collaborative approaches to service design and delivery, particularly in relation to health matters, and the key functions of the Tees Valley Combined Authority.

17. The Governance Committee is tasked with ensuring, amongst other things, good stewardship of the Council's resources and promoting proper internal control by reviewing the Council's control systems and monitoring its compliance with legislation, relevant standards, codes of practice and policies.

18. In addition to Elected Members, the Governance Committee includes two co-opted Independent Members who are not Councillors of Officers of the Council or any other body having a committee undertaking a standards function and two co-opted members of the parish Councils in the Council's area.

19. Independent Members work alongside the other members of the Governance Committee and provide a non-political perspective on governance and audit matters. Independent Members also provide an objective and impartial view on issues relating to Councillor behaviour and corporate complaints. The Council also has an Independent Person who is not an Elected Member, co-opted Member or Officer of the Council, who may be consulted on conduct matters.

20. The Regulatory Committee has delegated powers to discharge some of the statutory functions of the Council, including planning and licensing.

21. The Employment Health and Safety Committee deals with employment and human resources matters and all functions relating to health and safety under any statutory provision relevant to the Council as an employer. It also acts as the Committee to deal with any matters reserved for full Council in the Constitution, but for which by reason of urgency, commercial sensitivity or other relevant reason it is not desirable to call a meeting of the full Council.

22. Live Well South Tees is the Health and Wellbeing Board which operates across both Redcar and Cleveland and Middlesbrough to discharge the functions required by the Health and Social Care Act 2012 and promote the health and wellbeing of local communities.

23. There is a range of outside bodies on which one or more Councillors sit to represent the Borough's interests, seeking to exert influence to implement local priorities.

24. In conjunction with a review of the Council's senior management structure, the Scrutiny and Improvement Committees were subject to review during the year and changes were implemented from September 2022. This included the addition of a fifth Scrutiny & Improvement Committee focusing on Climate and the Environment and the introduction of a Climate Forum open to all Members. The diagram below provides a visual representation of the Council's political management arrangements operating during 2022-23.

	Borough Council **59 Members**	

Governance Committee **11 Members** **(+4 co-optees)**	**Cabinet** **9 Members** **(Including the Leader)**	**Adults, Wellbeing and Health Scrutiny and Improvement Committee** **13 Members**
Employment, Health & Safety Committee **13 Members**		**Children and Families Scrutiny and Improvement Committee** **13 Members**
Live Well South Tees Joint Health and Wellbeing Board **5 Members on the Board**		**Corporate Resources and Governance Scrutiny and Improvement Committee** **15 Members**
		Growth Scrutiny and Improvement Committee **13 Members**
Regulatory Committee **(Planning and Licensing)** **13 Members**		**Climate and Environment Scrutiny and Improvement Committee** **13 Members**

Management and Decision-Making Processes

25.   The Managing Director is the Head of Paid Service. He is assisted by chief officers (Executive Directors) who lead the Council's Directorates. Collectively, they form an Executive Management Team (EMT). Each Directorate has a number of teams within it with the heads of those teams (Assistant Directors) reporting directly to the Directors. Officers provide help and advice to elected Members and residents, and they implement decisions of the Council, managing the day-to-day delivery of its services.

26.   During 2022-23, the Council initially operated within three directorates: Adult and Communities, led by the Executive Director for Adult and Communities; Children and Families, led by the Executive Director for Children and Families; and a combined directorate of Resources and Growth, led by the Managing Director.

27.   The position of Executive Director for Growth, Enterprise and Environment, which had remained vacant since 2020 was reinstated in the summer of 2022 as part of the senior management review to provide leadership for the Growth Enterprise and Environment

Directorate. As well as increasing capacity to address climate issues, this action, along with the changes to scrutiny arrangements, allows greater focus on key strategic issues arising from the Freeport and Teesworks. The Managing Director continues to lead the Resources Directorate.

28. The Council's constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that governance arrangements are efficient, transparent and accountable to local people.

29. The Council publishes two Forward Plans on its website giving notice of key decisions to be taken by Cabinet and Council and key decisions to be taken using delegated powers. All decision-making reports consider legal, financial, equality, environmental, health & safety and social value implications.

30. Records of decisions taken through the delegated powers process are included in the Cabinet papers and published on the website for information and transparency. Agendas, reports and minutes of all key Council meetings are published on the Council website and meetings are open to the public except when personal and/or confidential matters are being discussed. Any use of special urgency provisions and disapplication of the call-in procedures where the usual Forward Plan notice requirements cannot be met are reported to Full Council.

Strategic Planning

31. The Council's current Corporate Plan which was agreed in November 2020, set out the top priorities of the previous administration. This will be replaced by a new plan to deliver upon the aspirations of the new administration, which will take account of current issues, challenges and opportunities for the organisation. This new plan will be presented to Borough Council in December 2023.

32. The current Corporate Plan included specific actions, with milestones and dates, intended to improve quality of life and help support the Borough and its residents. Together these supported the vision for:

   'Redcar & Cleveland Borough will be zero carbon, safer and more prosperous and attractive. People will live longer, more fulfilling and independent lives and will have access to the means of support when they need it.'

33. Building on the previous plan which was established from contributions from Members, Officers, partners and local people, the plan defined the outcomes which the Council considered to be the most important for delivering sustainable improvement in the Borough.

   - Priority 1: Tackling Climate Change and Enhancing the Natural Environment
   - Priority 2: Meeting Residents' Needs
   - Priority 3: Improving the Physical Appearance of the Borough and Enhancing Prosperity
   - Priority 4: Investing for the long-term

34. Aligned to the Corporate Plan are the following key strategies:

- **Medium Term Financial Strategy** (approved February 2023) – the strategy sets out how the council will utilise its financial resources to deliver upon the aspirations for the borough. The budget underpins all that the council does.

- **Workforce Development Strategy** (approved June 2021) – how the Council will ensure its workforce is fully equipped to deliver its corporate commitments and be an employer of choice where staff feel supported and challenged and have a place to build a career.

- **Climate Change Strategy** (approved March 2021) – a vision and action plan for achieving a carbon neutral borough by 2030.

- **Digital Strategy** (approved November 2020) – the use of digital technology in an intelligent way tailored to the needs of specific services and improving the service provided to residents.

- **Asset Strategy** (approved June 2020) – adoption of high-level principles to guide the approach to manage the Council's asset portfolio in a structured way, to achieve maximum value.

35. The Council fosters a culture of behaviour based on shared values, ethical behaviour and good conduct as defined through its values and reflecting the way we work to serve our communities.

- *To keep communities central to what we do*
- *To be caring and respectful*
- *To be bold, ambitious and aspirational*
- *To promote equality of opportunity*
- *To always aim to get the job done, to the best of our ability within available resources*

36. The Council has formal codes of conduct for both Members and Officers and adopted the revised Local Government Association's Model Code of Conduct in December 2021.

37. Training on the code of conduct is a mandatory element of the member development offer with sessions having been arranged both during the year and as part of the induction programme. Current procedures have been reviewed to ensure they reflect the most recent LGA guidance on arrangements for dealing with conduct matters and the application of sanctions.

38. Promoting equality is embedded within the Council's values. Equality Objectives were agreed by the Council in May 2022 following extensive consultation with a large number of groups and organisations. An officer Equalities and Diversity Group has been established consisting of volunteers from across the Council's services and following a self-assessment exercise against the LGA Equalities Framework, a refreshed Equalities Policy was approved in April 2023.

<u>Financial Management</u>

39. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2014), and the Accounts & Audit Regulations 2015.

40. The Chief Finance Officer (Section 151 Officer) leads the annual development of the Council's Medium Term Financial Strategy. The Chief Finance Officer takes responsibility for co-ordinating annual budgets with all Directors of the Council before their formal agreement and adoption by Cabinet and Council. This ensures resources are appropriately allocated through a balanced and fully-funded budget.

41. There are clearly established capital expenditure guidelines and formal project management disciplines in place for investment projects. The capital programme is a major source of investment in the Council's services. The programme is clustered into individual spending themes which support the Council's priorities. The Capital Programme is managed by the Council's Programme Management Group, who ensure that projects meet the strategic objectives of the Council, are commercially & financially viable and that the project can be effectively delivered. All capital projects need to have a robust business case in place which can be scrutinised to ensure the project represents value for money and delivers key project outcomes. The Programme Management Group also seeks to ensure that the revenue costs of any additional borrowing are factored into the medium-term financial planning process, and where possible, additional costs of borrowing are offset by revenue budget savings or efficiencies.

42. Comprehensive and robust budgeting and reporting systems are in operation. The Executive Management Team and Elected Members are regularly updated with forecasts of expected financial outturn against the budget. Where necessary suitable mitigation measures are agreed with key stakeholders to manage financial pressures. This information is provided alongside relevant performance information, including action plans to Cabinet, Scrutiny and Governance Committees. All budgets are risk-assessed, with additional support provided in areas of high financial risk such as children's social care, adult social care, waste management and neighbourhoods.

43. Processes are being developed to further support the five-year planning cycle the Council currently utilises for its finance through the identification of potential savings, independent of the Medium-Term Financial Strategy, to provide greater financial flexibility and resilience in the event that financial pressures arise.

44. The Council has completed a self-assessment against CIPFA's Financial Management Code, for 2021/22 and 2022/23. As part of the review, the Council referred to the positive findings on a number of external reviews on the Council's arrangements for financial management and governance. The Council was able to therefore show a good core level of compliance with the Financial Management Code's standards, with some areas of improvement planned, informed by the findings of independent reviews and assessment by the Chief Finance Officer. The Council also undertake regular benchmarking with other local authorities to compare its financial health.

45. Contract Procedure Rules are an integral part of the Council's constitution and relate to the buying of goods, services and works on behalf of the Council. Procuring officers are required to demonstrate value for money and consistency with corporate priorities

and ensure that robust monitoring arrangements are in place. The rules are reviewed and approved on an annual basis.

Policies and Guidance

46. A variety of policy and guidance documents exist to support the corporate governance arrangements. The Local Code of Governance aims to bring all these together in a single reference document, published on the website, with readily accessible links to the relevant documentation.

Ensuring Compliance

47. Ongoing monitoring and review of the Council's activities and adherence to the various policies and guidance is undertaken by the following statutory officers to ensure compliance with the relevant policies, procedures, laws and regulations:

- The Monitoring Officer – who is a member of the Executive Management team. The Monitoring Officer ensures that decisions are taken in a lawful and fair way, agreed procedures are followed and all applicable statutes, regulations and procedure rules are complied with. Measures are in place for dealing with breaches of legal and regulatory powers.

- The Section 151 Officer – who is also a member of the Executive Management Team. The Chief Finance Officer ensures that decision making in respect of financial matters is lawful and financially prudent and that all statutory financial reporting duties are complied with.

Risk Management

48. Risk exists in all forms of public life, especially when trying new things to improve quality of life or managing unforeseen circumstances. Managing those risks is a key element of effective corporate governance and supports the maintenance of a robust internal control environment. The Council has in place a Risk Management Framework supported and monitored by a Risk Management Group, chaired by the Governance Director. The Group considers various items of risk with the intention of identifying and seeking proactive remedial action for areas of concern.   Risk management is used not only to avoid or mitigate against risks but to understand risk to enable appropriate opportunities to be taken.

49. The Corporate Risk Register is reviewed, updated and challenged regularly and presented to the Executive Management Team for their consideration and reported to Governance Committee. Directorate and corporate risk registers are reviewed at Directorate and Executive Management Team level and capture the potential risks facing the Council and the Directorates.

50. Formal arrangements are in place for Business Continuity Management to enable critical services to be maintained to citizens in the event of a major incident. These have been reviewed and strengthened further to deal with service disruption due to either a physical or cyber event.

51. The Veritau support contract for our Data Protection/Information Governance service ended in July 2023. From this date, the Council have had internal arrangements and

dedicated resource in place to ensure compliance with data protection and information governance principles and responsibilities, and the mandatory data protection officer is appointed.

<u>Audit and Counter Fraud Arrangements</u>

52. The Council commissions Internal Audit and Fraud Investigation work from Veritau – Tees Valley, which is a jointly owned company between the Council, Middlesbrough Council and the parent Veritau Group, which provides internal audit and assurance services across a wider geographic area.

53. Veritau provide an independent and impartial audit assurance service which is designed to help clients manage their business and address the public service delivery challenges which have become more onerous with the combination of increasing demand, reduced resources, technological change and an ongoing redesign of services.

54. Since the inception of Veritau – Tees Valley in January 2020, the Council has benefited from increased resilience within the internal audit function and an enhancement of the counter-fraud and investigatory services.

55. Veritau – Tees Valley operates and delivers internal audit and fraud investigatory services which comply with the Accounts and Audit Regulations, the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit.

56. The Council has adopted an Audit Charter which defines the role and scope of internal audit work delivered by Veritau, setting out the right of access and independence, reporting arrangements and the respective responsibilities of internal audit and management.

57. Veritau's internal audit and counter fraud teams deliver an annual programme of review covering financial and operational systems. These audits include systems, regularity and probity audits designed to give assurance to members and managers on the effectiveness of the governance, risk management and control environment operating within the Council. In advance of the start of a new financial year, Veritau consult with the Council's Governance Committee and senior management teams to gain their insight into areas of risk and audit prioritisation.

58. Through its work, Veritau provides assurance to the Council's Section 151 Officer and the Monitoring Officer in discharging their statutory review and reporting responsibilities. In addition, Veritau – Tees Valley:

   • Provides advice and assistance to managers in the design, implementation and operation of controls;
   • Supports the maintenance of the Council's counter-fraud arrangements; and
   • Supports managers in the prevention and detection of fraud, corruption and other irregularities.

59. Veritau – Tees Valley maintains quality assurance processes to ensure internal audit work is undertaken to appropriate professional standards. Periodic external

assessments of audit working practices are undertaken to peer-review these standards.

60. The Chief Accountant meets with the Veritau – Tees Valley Audit Manager on a regular basis to review progress in delivering the Internal Audit Plan and ensure the Plan is prioritised to meet existing and emerging priorities. Throughout the year progress reports are presented to the Council's Governance Committee. The Audit Manager also provides an annual opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. Any significant weaknesses in control identified through the internal audit work will also be identified as part of this review.

61. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council for 2022/23 was that it provides 'reasonable assurance'.

62. Governance Committee can request copies of reports by Veritau – Tees Valley as it considers necessary.

Consultation and Communication

63. The Council's vision, priorities and outcomes are communicated directly to residents and through a variety of media to different audiences to encourage consultation and demonstrate accountability. Examples include:

- Delivering 'This is Redcar & Cleveland' residents' magazine periodically to all households in the Borough.
- Publishing key documents and strategies on the website, including the Annual Statement of Accounts and financial and performance out-turns
- Undertaking statutory consultations on issues such as the budget
- Promoting Council services and activities through social media
- Conducting formal periodic residents' surveys.

64. The Council has an agreed communication strategy. It continues to develop its online presence and increase its engagement on social media channels and through video. This improves people's ability to interact with the Council online and identify new ways of working with the community through digital communications. Printed communications continue to be reviewed and improved to give residents the information they want in the format they prefer.

65. A new corporate website was implemented during 2021/22 making it easier to use for local people and businesses and enable more services to be delivered online, at times that are more convenient to residents, although still allowing contact by phone where needed.

66. During 2022/23, a new committee management system was implemented which supports improved democracy webpages, making information about Councillors and Committees more accessible and easier to navigate.

67. The Council has focused communications to help residents through the cost-of-living crisis. This has been useful in helping people to know what help is available to them

(e.g., warm spaces, advice on benefits and hints about how to cook healthily and efficiently).

<u>Partnership Working Arrangements</u>

68. Working in partnership to deliver the Council's priorities has been the norm for many years. The Council is proud to work with local communities, volunteers, voluntary and community organisations, the NHS, care providers, police, probation, schools, colleges and universities, businesses and many more.

69. The overall governance framework contributes to effective partnership and joint working arrangements. Live Well South Tees, the joint Health and Wellbeing Board, sits at the heart of collaborative working with partners to improve health and wellbeing outcomes for citizens across South Tees.

70. Tees Valley Combined Authority is a partnership between five local authorities whose purpose is to drive economic growth and job creation in the area and maximise opportunities available to the Tees Valley through the devolution of significant powers and funding from Government, including the development of Teesworks and the Freeport.

71. The corporate planning framework connects the Council's priorities with these partnership priorities to derive maximum benefit for residents from the combined activity of all parties.

<u>External Review and Inspection</u>

72. The Council welcomes review and challenge from external peers and regulating bodies such as Ofsted, CQC and seeks to drive improvement through learning from these and sector-led improvement opportunities. A peer challenge was undertaken in November 2021, the focus of which was review the Councils strengths and areas for improvement in relation to priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity and improvement, with a particular emphasis on how well the Council was maximising the economic opportunities for economic and community benefit of its residents and how well positioned and resilient the Council was in order to continue to make progress.

73. The review highlighted that the Council was operating from a solid base across all the areas reviewed and also identified a number of opportunities for improvement which form the basis of a Corporate Peer Challenge delivery plan for the Council. Progress with the implementation of this delivery plan has been reported to elected members on a quarterly basis, with the actions being taken forward as was intended.   In a progress review with the peer challenge team which took place in October 2022, the team recognised the progress which has been made.

Review of Effectiveness

74. The Council has responsibility for reviewing annually the effectiveness of its governance framework including the system of internal control. The review is informed by the work of Scrutiny & Improvement Committees, the Managing Director, Executive Directors and Assistant Directors within the Council who have responsibility for the development and maintenance of the governance arrangements, the Audit &

Assurance Manager's annual report, and also by outcomes from external audit reports and other review agencies and inspectorates.

75. The means by which assurance is sought with respect to the governance framework include:

- The Scrutiny & Improvement Committees recommend updates and changes to the Constitution, and these will be overseen by the Governance committee. The Monitoring Officer reports to the Governance Committee any changes to the Constitution which they have found necessary to make;

- Scrutiny, through its Corporate Resources and Governance Scrutiny & Improvement Committee, can "call in" decisions which have been made but not yet implemented, to enable them to consider whether the decision is appropriate and properly made;

- Through its Governance Committee, and the Cabinet, the Council is able to review the organisation of the Council and its internal structures, and is able to monitor any actions which are identified as being necessary to address any issues;

- The Council's Governance Committee has delegated responsibility for reviewing the adequacy of internal controls, validating the Internal Audit Annual Plan, monitoring the performance of internal audit, accepting the external audit plan, agreeing the Annual Governance Statement and approving the annual Statement of Accounts;

- Veritau - Tees Valley is responsible for monitoring and reporting on the quality and effectiveness of internal control. The content of the Annual Audit & Assurance Plan is based on the Council's corporate risk register, consultation with Directorate Management Teams, national and local risks and areas where issues have previously been identified. The Audit & Assurance Plan is subject to consultation with EMT and the Governance Committee.

- An internal assessment of Veritau – Tees Valley, based on a self-assessment against the Public Service Internal Audit Standards, is conducted each year and an external review of that assessment is carried out every five years;

- Veritau – Tees Valley prepares an annual report each year which sets out the overall opinion of the Audit and Assurance Manager on the controls operating in the Council. The opinion of the Head of Internal Audit on the framework of governance, risk management and control operating within the Council for 2022/23 is that it provides 'Reasonable Assurance'.

- Each directorate regularly reviews its own risk registers at team and directorate level. Risks with a high residual value are included within the Corporate Risk Register which is reviewed quarterly by EMT, monitored by the Risk Management Group and reported to Governance Committee;

- Progress and issues arising in relation to all aspects of corporate governance are routinely reported to EMT through performance meetings at directorate and

corporate level. These reports are presented quarterly and at other times outside this cycle as necessary. Performance reports for each directorate are also reviewed by Cabinet and Scrutiny & Improvement Committees;

- The annual budget is monitored through a quarterly cycle of financial monitoring and reporting, initially to DMTs and then subsequently to EMT before onward transmission to Scrutiny and Cabinet;

- The Chief Finance Officer keeps the financial performance of the Council and each directorate under constant review and if necessary, is able to intervene in the financial affairs of any given directorate, including the placing of temporary finance representatives within a directorate to instil financial probity and address emerging issues.

- Across the Council, capacity building, financial management training and a disciplined approach to budget management have delivered efficiencies. There is rigorous financial management with support from financial services. Budgets are managed more accurately, with frontline managers taking responsibility for service quality and financial delivery;

- The Council strives to manage its business in a legally sound way, this is reflected in the fact there have not been any adverse judicial judgments against the Council in the last year.

Risks identified for 2022/23 and progress

76. The significant risks to the Council, which were identified in last year's Annual Governance Statement, are set out below along with a summary of the actions that have been taken to address those risks.

Progress against risks identified for 2022/23
Risk 1: Balancing the Medium Term Financial Plan Description of risk: The Council continues to face a number of financial challenges relating to rising demand and cost pressures in various service areas which will need to be addressed over a five-year timeframe. The impact of the current cost of living crisis and continued contraction in the UK economy on the Council and its finances presents a further challenge. The Council will seek to focus on ensuring its financial position remains sustainable, with long term expenditure requirements matched by long-term funding arrangements. **Progress Update:** We continue to lobby government on the need for additional funding to address the sustained impact inflation is having on our costs, and to address the inequities in an outdated funding system that fails to adequately recognise the drivers of demand and therefore costs of statutory services. However, it will be necessary to develop savings proposals to ensure essential services can be maintained and the Council's

financial position remains sustainable and resilient across the medium term, as left unmitigated current pressures will significantly deplete reserves and leave an unsustainable financial position still to be resolved.

The Borough Council approved a five-year medium term financial strategy between 2023/24 and 2027/28 on 23 February 2023. The refreshed medium term financial strategy identified and catered for several financial pressures linked to exceptionally high inflation and rising demand for statutory children's services, including an £8.8 million savings programme to be delivered over the next two years. However, with inflation being sustained at higher levels for longer than anticipated and the numbers and costs of children needing to be taken into care increasing further, the quarter 1 update against the 2023/24 budget is forecasting a £7.7 million overspend before any additional mitigating actions.

Risk 2: IT Disruption due to Attack

Description of risk: Failure to protect the Council network from external and internal attacks could lead to a loss of service for a period of time to the borough's citizens, potentially resulting in harm to individuals, damage to reputation and financial consequences.

Progress Update:

As part of the successful LGA training fund bid. Training in recognised cyber security courses has and is being delivered to IT staff. This will increase awareness of cyber security threats and defences for key IT staff.

The Council's backup and recovery solution has now largely been moved over to new technology. This gives the ability to fully restore applications in a test environment. Giving assurance that the Councils IT can be recovered in the event of a cyber-attack or other incident.

We are continuing to deploy the security functionality that comes with the Microsoft licensing that the Councils have invested in. This improves the security of the Councils desktop estate, helping to prevent system compromise.

A new system has been implemented to provide greater protection from Internet threats these include:
- Scanning of files as they are downloaded or uploaded to look for malicious content
- Blocking of specific sites or categories of websites
- Better reporting and identification of risky behaviour by users

To further reduce the risk of a successful attack we have introduced additional controls to monitor and automatically remove potentially malicious emails. These account for some 80% of successful attacks. Additional training in cyber security for IT staff. A new phishing training system has been deployed to train users in how a likely phishing email will work and how to respond. Greater protection for the

Council's backups where anomalous changes or malicious software is automatically detected.

Risk 3: Secondary School Attainment and Performance

Description of risk: Access to good education is critical to young people being able to develop the broad range of skills for adulthood. It underpins our aspirations for growing our local economy and increasing financial sustainability. Lower standards of education could affect the future welfare and prosperity of children in Redcar and Cleveland. High numbers of young people being excluded, for short periods and permanently, risks young people becoming isolated from society and possibly not remaining in education or employment beyond 16.

Progress Update:

Ofsted ratings for secondary schools have continued to go up. 60% of schools are now good or better. Provisional data for KS4 shows that attainment levels are now higher than national averages. These results need to be verified but show a pleasing improvement across all main indicators. The risk has therefore been reviewed to combine exclusions from schools with a lack of inclusivity of young people in education, impacting best outcomes and attainment levels.

The numbers of suspensions and permanent exclusions have continued to rise. There were over 7000 suspensions and 82 permanent exclusions last year. Lots of work has happened to find alternatives outcomes to avoid permanent exclusions for 25+ other children. The most common reason for permanent exclusions is persistent disruptive behaviour and the children who fall under this category have often experienced multiple issues at home, e.g., domestic abuse, neglect, poverty, exploitation. These experiences have, in turn, led to poor attendance at school, not seeing any importance in the school system, unwilling to trust people so leading to a lack of engagement with school and wider agencies. The knock on effect of this leads to poor performance and outcomes for our young people, impacting on educational attainment levels.

Risks and Governance issues identified for 2023/24

77. We continue to monitor risks, which involves careful scrutiny of information provided by each of the Council's Directorates and information provided by the Council's partners. The Council's Corporate Risk Register was inspected and reviewed, and the views of Members, the Managing Director, Executive Directors, Officers, and Internal Audit were sought.

78. Through careful analysis of our current risk register and consideration of the available intelligence sources, the following risks can be identified as continuing to have the broadest and largest impacts across the organisation and our ability to deliver our key priorities. Consequently, we consider the following to be our key risks to address in the coming year:

- **Risk 1: Balancing the Medium Term Financial Plan**
  There are increasing pressures on the costs of delivering council services, particularly statutory duties like adults and children's social care, driven by increased demand and high inflation. With funding levels not keeping pace, significant savings are required to ensure the councils finances are sustainable over the medium term. The main driver of the financial pressures is increased placements costs for children needing to come into care due to increased demand and complexity of need and market insufficiency.

- **Risk 2: Exclusions and lack of inclusivity of young people in education**
  There are a high number of young people being excluded both for short periods (suspension) and permanently. This high level of exclusion places extra pressure upon other schools and upon the Pupil Referral Unit. Factors impacting inclusion and young people's outcomes include poverty, contextualised safeguarding, SEND, mental health and emotional wellbeing. The outcome, if not addressed, will be poor attendance, social isolation, higher numbers of electively home educated young people, children not in full time education as there are not suitable placements, not being ready for school in the early years, and more young people not remaining in education or employment beyond 16. The impact of this will be poor attainment levels of young people impacting on being able to achieve their best outcomes leaving school.

- **Risk 3: Increased numbers of children in our care**
  There continues to be significant rises in children coming into our care that require safeguarding, support, and care, particularly those with unprecedented levels of complex needs. There is a need to ensure that all measures and steps are taken to reduce the number of children coming into care, to address the volatility in demand and increasing cost of children's social care, particularly for those with complex needs. There is a risk that if the needs and demands cannot be met fully, this could lead to poor outcomes for children and our ability to fulfil our statutory obligations, which may result in significant safeguarding concerns and children are adversely impacted. This could include lack of adequate and suitable placements, locally or regionally, there is also the risk of having no alternative other than use unregulated placements/provision.

Statement of assurance

79. We are satisfied that this statement accurately reflects our review of effectiveness and identifies the major issues facing the authority in the coming year. Our effectiveness in addressing these issues will be monitored as part of our next annual review.

Signatures

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Leader of the Council   **Managing Director (Head of Paid Service)**