



# Redcar and Cleveland Borough Council

## **Annual Governance Statement**

**1 April 2023 – 31 March 2024**

## Introduction

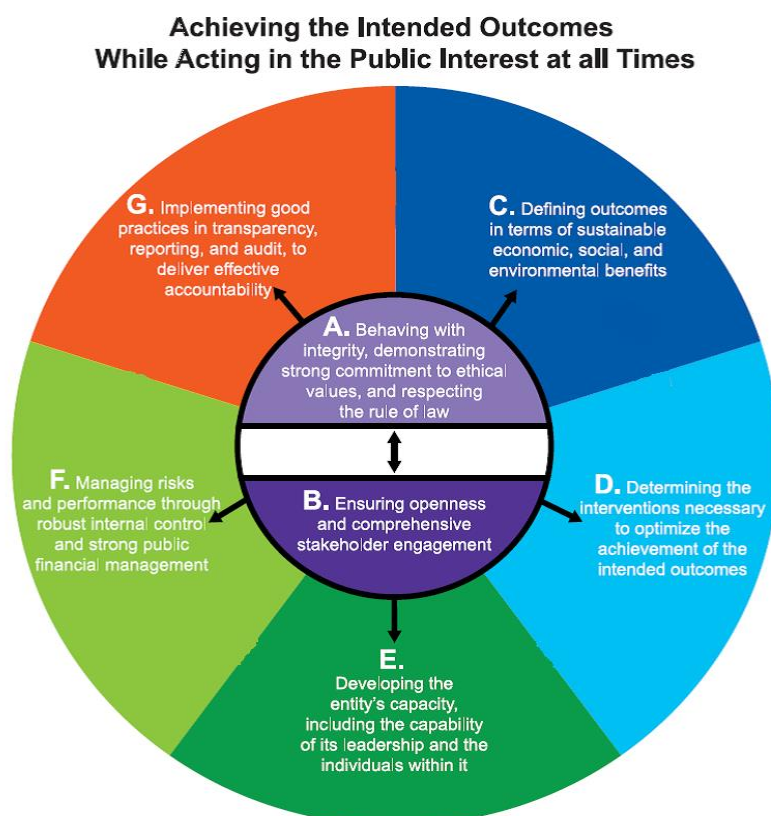
1. Governance is the general description given to the systems, processes, culture and values by which the Council is directed and controlled. CIPFA<sup>1</sup> has developed an International Framework: Good Governance in the Public Sector and defines Governance as follows:

*“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.



<sup>1</sup> 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.

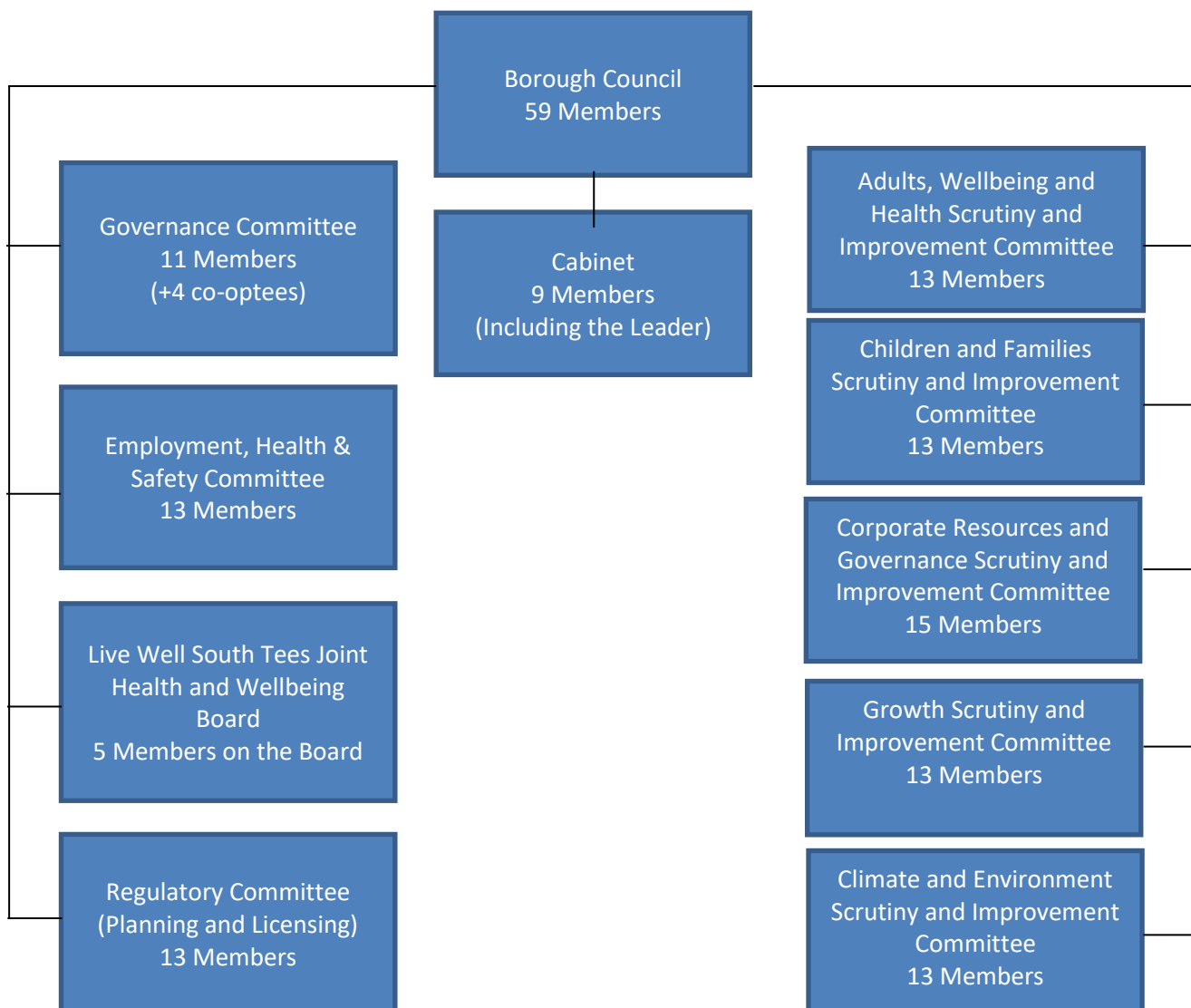
10. The overall Governance Framework described in this Statement has been in place within the Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts for 2023/24.

### Political Management Arrangements

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. 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 Bill Suthers
  - Cabinet Member for Resources – Councillor Christopher Massey
  - Cabinet Member for Adults – Councillor Lisa Robson
  - Cabinet Member for Growth and Enterprise – Councillor Lynn Pallister
  - Cabinet Member for Highways and Transport – Councillor Carl Quartermain
  - Cabinet Member for Neighbourhoods – Councillor Adam Brook
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 and 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. The current model comprises five Scrutiny and Improvement Committees:
- Adults, Wellbeing and Health Scrutiny and Improvement Committee
  - Children and Families Scrutiny and Improvement Committee
  - Corporate Resources and Governance Scrutiny and Improvement Committee
  - Growth Scrutiny and Improvement Committee
  - Climate and Environment Scrutiny and Improvement Committee

15. The Council has an ongoing informal working group, established jointly with neighbouring Councils, to work collaboratively with regards to the 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. Currently, the Council is the host authority for the Cleveland Police and Crime Panel, the body which holds the Police and Crime Commissioner to account for delivery against the Police and Crime Plan.
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 or 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. 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. A Shareholder Committee provides general oversight of Local Authority owned companies and makes decisions on matters which are not delegated to the Council's shareholder representatives.
24. There are a number of Committees established through joint arrangements with other bodies/authorities, to which elected Members are appointed. There is also 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.

25. The diagram below provides a visual representation of the Council's political management arrangements operating during 2023-24.



### Management and Decision-Making Processes

26. 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.
27. The Council operates under four 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; Growth, Enterprise and Environment

led by the Executive Director for Growth, Enterprise and Environment and Resources, led by the Managing Director.

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 its 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 Corporate Plan was agreed by Borough Council in December 2023. Given that the operating context of local government has changed in recent years, with ever increasing financial pressures, the plan sets a strategic direction which very much focusses on the Council's core purpose. The authority's priorities and specific pledges are as follows:

#### Start life well:

- We will strive to reduce child poverty in the borough.
- We will support children to thrive and fulfil their potential.

#### Live and age well:

- We will work hard to improve health and wellbeing.
- We will encourage community participation and volunteering.
- We will empower people to live independently.

#### Prosper and flourish:

- We will support the creation of good, well-paid jobs.
- We will help people get the skills and training they need for quality jobs.
- We will spend money with local businesses
- We will invest money to improve our towns and villages and lobby for better transport connectivity between them.

#### Clean and tidy:

- We will work with the local community to improve recycling levels.
- We will do our best to look after the environment
- We will reduce the council's carbon footprint.

32. The Corporate Plan is supported by our Organisational Plan which sets out the key strategies which will take forward the delivery of the Corporate Plan priorities. These strategies are developed by the experts in service areas and include a plan of what will be delivered over the next twelve months. Taken together, these strategies, which are set out below, in effect set the strategic direction for what the council will and will not do.
- Poverty Strategy
  - Children and Young People Strategy
  - Early Help Strategy
  - Education Improvement Strategy
  - SEND Strategy
  - Health and Wellbeing Strategy
  - Volunteer Strategy
  - Adult Care Strategy
  - Growth Strategy
  - Skills Strategy
  - Commercial Strategy
  - Housing Strategy
  - Tees Valley Joint Waste Management Strategy
  - Neighbourhood Management Strategy
  - Climate Change Strategy
  - Financial Strategy
  - Workforce Strategy
  - Asset Strategy
  - Digital Strategy
  - Local Plan
33. Progress in the delivery of these strategies will be monitored on a monthly basis through Executive Management Team meetings and will also be subject to regular reports to elected members to provide further oversight and accountability.
34. 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.
35. Council services are wide ranging in nature with staff in a variety of different professions, but all have shared purpose in delivering the Council's priorities. The Council has committed to the following pledges to communities which it will take into all of its work:
- To aim to provide clear, honest and helpful information
  - To do our best to provide excellent customer service
  - To be respectful and expect respect for all
  - To look at innovative ways to provide value for money
  - To reduce our carbon footprint
  - To bring people and organisations together to improve the area
  - To talk up the local area



36. Alongside the pledges to communities, communities are asked to reciprocate and:
- Let us know if they are worried about a vulnerable child
  - Recycle as much as they can
  - Keep the area tidy by putting litter in a bin or taking it home
  - Get involved in the community and having their say
  - Support local businesses
  - Talk up the local area
37. 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.
38. Training on the code of conduct is a mandatory element of the member development offer with sessions having been arranged as part of the induction programme and repeated through the year. Current procedures reflect the most recent LGA guidance on arrangements for dealing with conduct matters and the application of sanctions and were further refreshed in December 2023 in light of some practical issues experienced in implementing procedures and internal audit recommendations.
39. 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.

#### Financial Management

40. 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.
41. 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.
42. 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.

43. 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.
44. 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.
45. The Council has completed self-assessments against CIPFA's Financial Management Code. 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.
46. 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

47. 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

48. 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

49. 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.
50. 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.
51. 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.
52. 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.

### Audit and Counter Fraud Arrangements

53. 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.
54. 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.

55. 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.
56. 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.
57. 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.
58. 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.
59. 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.
60. 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.
61. 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.
62. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council for 2023/24 was that it provides 'reasonable assurance'.
63. Governance Committee can request copies of reports by Veritau – Tees Valley as it considers necessary.

## Consultation and Communication

64. 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.
65. 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.
66. 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.
67. 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.
68. 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).

## Partnership Working Arrangements

69. 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.
70. The Council is one of the five local authorities which combine to make up Tees Valley Combined Authority. The Combined Authority which is overseen by the Tees Valley Mayor leads on economic growth and job creation in Tees Valley. This partnership has resulted in vast investment in Tees Valley, which has, and will continue to benefit Redcar and Cleveland and the residents who live here.
71. 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.

### External Review and Inspection

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.
73. In the last year the Council's Adult Learning service was inspected by Ofsted, work has continued in preparation for the inspection of Adult Social under the new CQC inspection framework, in addition two separate Local Government Associated Peer Challenges have been held. The peer challenges focussed on the use of resources and efficiency within Children's Services, as well as Adult Social Care inspection readiness. These inspections and reviews each highlighted strengths and areas for improvement which are helping to inform further improvements.
74. The past year has also seen the Office for Local Government (OFLOG) develop in prominence and scope. The body is being used by government as a means of identifying local authorities which they perceive to be at "risk of failure". This is determined by performance in relation to a number of different metrics, with government initiating focussed visits where it is perceived to be necessary. This type of inspection and review is a change in style but will nonetheless be an area necessitating ongoing monitoring.

### **Review of Effectiveness**

75. 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.
76. 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 and Borough Council. 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 and where there may be concerns they have not been made in accordance with agreed principles.

- 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 2023/24 was 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 2023/24 and progress**

77. 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.

<b>Progress against risks identified for 2023/24</b>
<p><b>Risk 1: Balancing the Medium Term Financial Plan</b></p> <p>Description of risk: 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.</p> <p><b>Progress Update:</b></p> <p>The latest forecast for what we expect to spend in this financial year, up to the end of March 2025, predicts that, without any cost-saving measures, we would overspend by more than £12 million. The cost-saving measures we recently introduced will save millions of pounds and, along with using money from the sale of land and buildings, we expect the overspend to come down to around £6.4 million. Without any further savings, we will need to cover the £6.4 million through our reserves. However, this will use up the reserves we have available for this purpose, which means we won't be able to use them next year. Additional savings are, therefore, still being sought to mitigate that position.</p> <p>In addition, we must now prepare to spend only what we have in 2025/2026. We estimate that, before further savings solutions, we will overspend by £9 million in 2025/2026 – due to an ongoing huge demand for our services – and we must take action to save that £9 million. We will need to ensure that we are able to establish a balanced budget to avoid any adverse impacts on our ability to deliver our services. Therefore, it is vital we continue with the current spending controls and avoid all unnecessary spend to try to protect the jobs of our current staff and services and minimise the potential need for service reviews and further staffing reductions.</p>



The main cause of the shortfall is the cost of children in our care who need specialist care in a residential home, but there are other pressures on our budget. Reaching the £9 million target is a significant challenge and senior staff across the organisation are working on an action plan to do this, along with our Cabinet. Our strategy for the next 10 years is based on phases of survive, strive and thrive.

Over the next six months, the Council's senior team will look at all aspects of our operation to put our budget on a more sustainable footing. This will include reviewing our services and assets, addressing the demand for our services and maximising income and funding opportunities. The current spending restrictions, which will remain in place for the remainder of this financial year, will support the current overspending budget position in 2024/25, and alleviate these pressures rolling through to future financial years. The measures include restrictions on recruitment, which will also continue.

## **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.

### **Progress Update:**

We are continuing to raise awareness and organise sessions and briefings for governing bodies and working directly with schools to get to the root cause of exclusions and lack of inclusivity and develop solutions to address this. CEO's of all schools have now been invited to the strategic education board and attended the first one in September. Statistics were shared with the CEO's on exclusion numbers and reasons for this. Assistant directors from Northeast Councils have been working on an inclusion statement which will be shared with all schools. The DfE are supporting this statement and will discuss it in their termly meetings with trusts, with a focus on understanding those with SEND and suspensions/permanent exclusions relating to needs not being met.

Safe and Shift teams are now operational to support those involved in serious crime and contextualised safeguarding issues. These teams will support with re-engagement in schools. All exclusions are recorded by the Council and patterns analysed. This data will now include rates of exclusion, so we are using this measure to compare to statistical neighbours and national averages.

An attendance project called 'Making attendance everyone's business' Theory of Change has been completed. All schools now complete the daily DfE attendance

return so we can have weekly data on attendance and analyse this on a weekly basis to understand reasons for absence and support conversations with schools.

There has been a successful bid for an Alternate Provision (AP) free 50 place school and the River Tees Multi Academy Trust will lead on this. We are part of a project with the DfE to improve outcomes for SEND young people and have been awarded one million pounds to undertake some transformational work, year one of which is now complete. Secondary schools have completed a specific SEND audit and special educational needs co-ordinators (SENCOs) are working with an organisation called whole education SEND to establish self-improving systems for SEND. Primary SENCOs will start the programme this year.

There are many projects, initiatives and schemes on-going at present. We are still in the early stages of these being implemented and being able to see the effects of this. It is going to take time. Hopefully throughout this year we will start to have a positive impact, and this will be reflected in future updates.

### **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.

#### **Progress Update:**

A transformation plan is in place which focuses on a reduction of children in care. It needs to be noted this area can be volatile as there may be some children that either move into area with specialist needs, or circumstances change in a family which mean that children unknown to the department need urgent support. The following actions have been put in place to support a reduction in the number of children in our care. These actions, in isolation, cannot reduce these numbers significantly, however, when undertaken together, they should start to have impact. This is currently being monitored.

We have a number of activities in place to support a reduction in spend, covering a number of themes as follows, Preventing children coming into care, once children come into care costs are kept as low as possible, looking at areas of work that impact on other elements of the council, as well as staffing, and general housekeeping.

The safeguarding adolescents from exploitation (SAFE team) formally launched in April 2024. Early indications show that the team is having a positive impact for the children and young people, however, it is too early to set out specific savings for

this group of children. It also needs noting that the children and young people supported by this team are high risk and, therefore, it will take longer to make sustainable change.

In addition to supporting individual children, the team have worked with schools to raise awareness of exploitation. This is an important part of SAFE's work, to try and prevent children and young people being exploited and for education staff to raise concerns as early as possible.

We have robust review processes in place for our children places in high-cost placements: There is an ongoing review weekly of placements by a high-cost placement panel to review all cases. This is led by our Finance Team, attended by relevant service managers and our Children's Commissioning Manager. Social work team managers attend to talk through any changes and consider any alternative commissioning options. Performance panel works proactively to oversee and progress the longer-term plan for children in care, including return homes, adoption and special guardianship orders. All high-cost placements require approval by the Executive Director for Children and Families.

The numbers of children in our care significantly increased from Dec 2023 to June 2024. However, numbers more recently have been relatively steady, which is being reviewed weekly. The transformation plan is reviewed weekly to track progress on the actions implemented.

## **Risks and Governance issues identified for 2024/25**

78. 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.
79. 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

80. 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



.....  
**Leader of the Council**



.....  
**Managing Director (Head of Paid Service)**