



Redcar and Cleveland Borough Council

Annual Governance Statement

1 April 2021 – 31 March 2022

Introduction

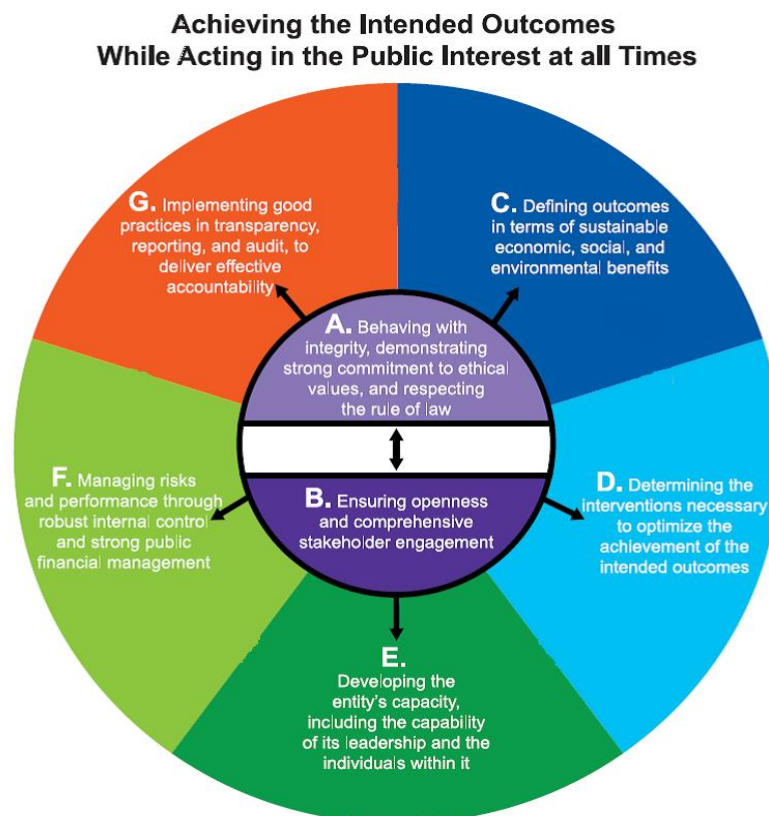
1. Governance is the general description given to the systems, processes, culture and values by which the Council is directed and controlled. CIPFA¹ has developed an International Framework: Good Governance in the Public Sector and defines Governance as follows:

“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.



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;

¹ CIPFA – The Chartered Institute of Public Finance and Accountancy

- 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.

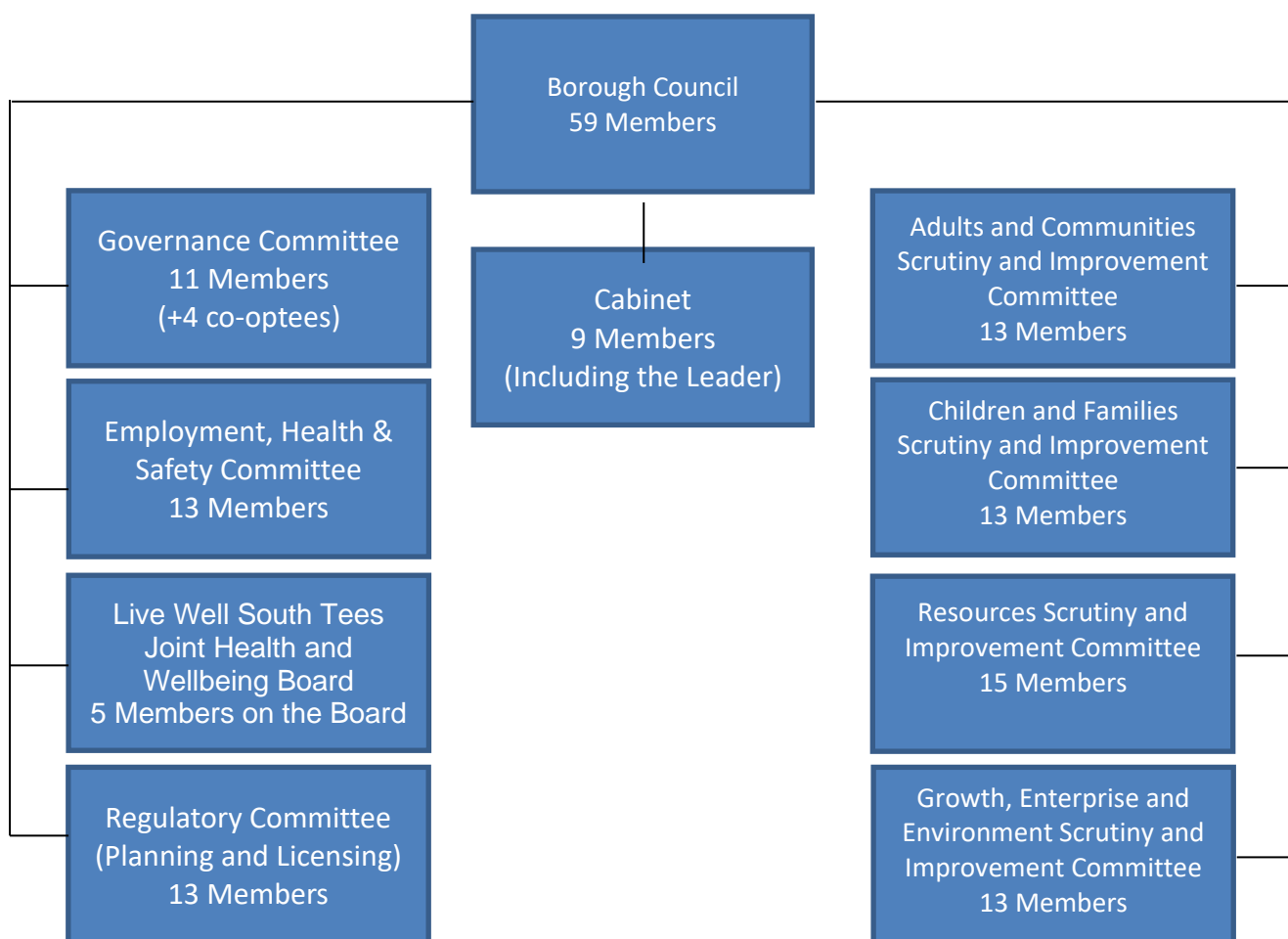
The Governance Framework

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 efficiently, effectively and economically.
10. The overall Governance Framework described in this Statement has been in place within the Council for the year ended 31 March 2022 and up to the date of approval of the Statement of Accounts for 2021/22.

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 Mary Lanigan
 - Deputy Leader of the Council and Cabinet Member for Health and Welfare – Councillor Steve Kay
 - Cabinet Member for Children – Councillor Alison Barnes
 - Cabinet Member for Corporate Resources – Councillor Glyn Nightingale
 - Cabinet Member for Climate Change, Environment and Culture – Councillor Louise Westbury
 - Cabinet Member for Adults– Councillor Mary Ovens
 - Cabinet Member for Economic Growth – Councillor Chris Gallacher
 - Cabinet Member for Highways and Transport – Councillor Cliff Foggo
 - Cabinet Member for Neighbourhoods and Housing – Councillor Barry Hunt
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, often through cross party task and finish groups, making recommendations to Cabinet or Council as appropriate. Two scrutiny task and finish groups have been progressed during the last year:
 - **Secondary Education** – this group has recently been reconvened following a return to face to face learning within schools and is currently focused on gaining an understanding of the causes of the increasing number of pupil exclusions in the Borough.
 - **Member Engagement on Climate Change** – this group has been convened to consider options and make a recommendation for a preferred option for Members to engage with the Council’s climate change activities.
15. 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.

16. 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.
17. 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.
18. 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.
19. The Regulatory Committee has delegated powers to discharge some of the statutory functions of the Council, including planning and licensing.
20. 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.
21. 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.
22. 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.
23. The diagram below provides a visual representation of the Council's political management arrangements operating during 2021-22. The Scrutiny and Improvement Committees have been subject to review in conjunction with proposals to review the Council's senior management structure and changes have been 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.



Management and Decision-Making Processes

24. The Managing Director is the Head of Paid Service. He is assisted by chief officers (Corporate 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.
25. During 2021-23, the Council operated within three directorates: Adult and Communities, led by the Corporate Director for Adult and Communities; Children and Families, led by the Corporate Director for Children and Families; and a combined directorate of Resources and Growth, led by the Managing Director.
26. The position of Corporate Director for Growth, Enterprise and Environment had remained vacant since 2020. However, with a clear commitment to prioritise climate issues and provide further capacity and robustness in terms of service delivery to meet the challenges the Council now faces as we continue to emerge from the covid-19 pandemic, the senior management structure has been reviewed with the position of Corporate Director for Growth, Enterprise and Environment being reinstated. As well

as increasing capacity to address climate issues, this action, along with proposed changes to scrutiny arrangements, is to allow greater focus on key strategic issues arising from the Freeport and Teesworks.

27. 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.
28. 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.
29. 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

30. The Council refreshed its Corporate Plan in November 2020 making clear the top priorities of the current administration supporting its vision for the Borough:

'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.'

31. Building on the previous plan which was established from contributions from Members, Officers, partners and local people, the refreshed plan defines the outcomes which the Council considers 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
32. The Council has an agreed delivery plan setting out the actions required to deliver these four priorities up to 2024. The ambitious plan includes specific actions, with milestones and dates, intended to improve quality of life and help support the Borough and its residents.

33. Aligned to the Corporate Plan are the following key strategies:
- **Asset Strategy** (approved in 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.
 - **Digital Strategy** (approved in 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.
 - **Climate Change Strategy** (approved in March 2021) – a vision and action plan for achieving a carbon neutral borough by 2030.
 - **Workforce Development Strategy** (approved in 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.
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.
- *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*
35. 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.
36. 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 the intention is to implement the LGA Equalities Framework during 2022.

Financial Management

37. 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.
38. 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.

39. 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 are commissioned and resourced where the expected outcomes link clearly to the Council's priorities and to the service planning process. 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.
40. 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. 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.
41. 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.
42. The Council recently completed a self-assessment against CIPFA's Financial Management Code, for 2021/22. 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 recent independent reviews and assessment by the Chief Finance Officer.
43. 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

44. 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

45. 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

46. Risk exists in all forms of public life, especially when trying new things to improve quality of life or managing unforeseen circumstances, such as the Covid pandemic. 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.
47. 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.
48. 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.

Audit and Counter Fraud Arrangements

49. 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.
50. 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.

51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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.
57. The Chief Accountant meets with the Veritau – Tees Valley Audit Manager on a regular basis. 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.
58. The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the Council for 2021/22 was that it provides 'reasonable assurance'.
59. Governance Committee can request copies of reports by Veritau – Tees Valley as it considers necessary.

Consultation and Communication

60. The Council's vision, priorities and outcomes are communicated 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.
61. The Council has an agreed communication strategy. It continues to develop its online presence and increase its engagement on social media sites. 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 to give residents the information they want in the format they prefer.
62. A new corporate website has been implemented which will be easier to use for local people and businesses and enable more services to be delivered on line, at times that are more convenient to residents, although still allowing contact by phone where needed.
63. The Council has focused a great deal on social media to communicate effectively with large numbers of local people during the pandemic. This has been particularly useful in helping vulnerable people to know about the risks they face and the support that is available to them (e.g. food deliveries during the first lockdown, access to various support funds).

Partnership Working Arrangements

64. 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.
65. 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.
66. 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.

67. 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.

External Review and Inspection

68. 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 Council's 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.
69. 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 now form the basis of a Corporate Peer Challenge delivery plan for the Council.

Review of Effectiveness

70. 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, Corporate 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.
71. 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 Resources 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 2021/22 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, and monitored by the Risk Management Group;
- 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 2021/22 and progress

72. 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 2021/22

Risk 1: Balancing the Medium Term Financial Plan

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 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:

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 several financial pressures linked to exceptionally high inflation and rising demand for statutory services.

One of the top twelve commitments underpinning the delivery of the council's priorities within the corporate plan has been a focus on financial resilience and sustainability. This principle has been adopted in the current MTFS, seeking to fund permanent commitments on a permanent basis to promote sustainability, and to protect reserve levels where possible to maintain resilience.

This approach has received strong endorsement from our external auditors, our corporate peer challenge, and the CIPFA financial assurance review undertaken in 2021.

Due to the current economic conditions this has become more challenging, with a fundamental refresh of the MTFS being required in order to address the financial challenges facing the council.

Inflation has risen sharply, due to supply chains struggling to keep pace with demand following the pandemic, added to by the conflict in Ukraine causing further shortages in key commodities.

When the Government undertook their Comprehensive Spending Review in October 2021, which included an assessment of the funding requirements of local government for the following three years, the rate of CPI was forecast to peak at 4% in 2022. CPI has since risen above 11%, the highest it has been for 40 years, and is forecast to remain high into 2023/24.

The high levels of inflation have caused some significant pressures on the Council's budgets, with significant cost increases for energy, fuel, labour, provider fees, construction, and other general costs.

In response to growing inflation, the Bank of England has increased base interest rates, which is feeding into higher interest rates for borrowing, which the Council needs to use to fund the Capital Investment Programme. This has increased the capital financing costs of the Council.

There is also increasing demand for some council services, influenced by the aftereffects of the pandemic and cost of living pressures, with the impact being felt particularly within children's social care and home to school transport.

The extent of the pressures needing to be provided for in this medium-term financial strategy, if left unmitigated, would deplete the council's reserves and leave an unsustainable financial position. We, along with the rest of the local government sector, have lobbied government on the need for additional funding to protect services and address the extraordinary inflationary impact being experienced.

The Chancellor's autumn statement and the subsequent draft local government finance settlement have recognised to some extent the pressures being experienced, providing some extra funding; but have not addressed the full breadth and scale of the financial challenges facing councils. It has therefore been necessary to develop an extensive savings programme, to ensure essential services can be maintained and the Council's financial position remains as sustainable and resilient as possible across the medium term.

After building in the proposed savings programme, the estimated budget deficit for 2023/24 is £2.5 million. This estimated deficit and the assumptions underpinning it will be kept under review as we monitor and report on the delivery of the 2023/24 budget and its associated savings programme. Any ultimate deficit will be funded from reserves with further permanent solutions sought for future years as necessary.

Regular budget monitoring continues to be undertaken to measure performance against budget assumptions, and to help inform decision making where necessary to take corrective action to mitigate forecast overspends. The latest council position for Quarter 3 of the 2022-23 year due to be reported to Cabinet on 14 March is forecasting an overspend of £5.9 million.

Services have implemented in-year mitigations to reduce the forecast overspend and protect our reserve balances as far as possible to preserve some financial resilience given the on-going challenges. This has reduced the overspend from a forecast of £7.9m at Quarter 1. More of a reduction would have been achieved but for a continued worsening position regarding the costs of our statutory children in our care duties.

Estimates of how these current year cost pressures will roll forward into next year have been factored into the development of the recently approved 2023/24 Budget and MTFS.

Risk 2: IT Disruption due to Attack

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.

We have approached the LGA to become an early adopter of the Government Cyber Security strategy. Initial meetings have taken place. Information from these will be reviewed to understand the implications of applying the proposed measures within LGA Common Assessment Framework (CAF)

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.

Macros which are used in Microsoft products have been disabled across much of the Councils IT estate. Macros are a common attack method for malware. Macros are still allowed for specific use cases where there are identified business needs.

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

Since phishing attacks account for some 60 - 80% of successful malware attacks, the Council has introduced Microsoft Safelinks into emails. This replaces any website or link that is included within emails. The replacement link checks the safety and validity of any link before a user clicks on it.

Ongoing phishing training for all staff with access to email. Staff are sent test phishing emails and are given extra guidance and training if they click on the links within them. The Council have invested in a third-party incident response service. This provides expert assistance in the event of any incident. This will include:

- An audit of the Council's preparations that are in place to respond to an incident. This will include guidance on any gaps or issues and assistance if producing them if needed.

- Live Incident Handling: A dedicated 24 x 7 cyber incident hotline that will help with the immediate issue. Dedicated security consultants will handle any security incident. They will work alongside global research teams, intelligence partners, national Computer Emergency Response Teams (CERT), and law enforcement agencies. to provide a detailed understanding and breakdown of any incidents.
- Help from Checkpoint who are Global Incident Response Partner
- Post-incident assistance to get the Council's operations functioning again, with post-incident analysis and recommendations.

Risk 3: Secondary School Attainment and Performance

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 restarted graded inspections in September 2021. 40% of our schools (4/10) are now graded good or outstanding. At least 3 more should be regraded in the next 12 months. Exam data is now available for GCSEs and A Levels. First sight shows promising improvements in all schools, subject to verification.

All secondary schools in the borough are academies and therefore outside of the direct control of the local authority, however, the risk owner is assured by using other information and meetings with all our secondary schools that improvements are continuing and will show positive impact on student outcomes.

The schools have worked with the National Association for Special Educational Needs to have a much better understanding of their SEND cohort and with Tom Bennett to support understanding what behaviours the children display and how to help them to remain in the school. The Northeast Autism Society have lead seminars on how best to support neurodiverse young people in schools and therefore improving their outcomes.

The schools have been working with the Education Endowment Fund and Carmel Research Hub on improving attendance and engagement.

The Task and Finish group has restarted and commenced visits to some schools in the summer term. The other identified schools will have a visit in the Autumn term and a report about Inclusive practice and working together to reduce suspensions and permanent exclusions will be compiled.

Additional training for Headteachers and Pastoral Leads was arranged for November. Inclusive practice remains as a standing agenda point at the Strategic Education Board and Education Improvement Partnership.

We have appointed a dedicated Inclusion Lead and they and the team will continue to work with, support and challenge the school system to ensure inclusive practice and that permanent exclusion is a last resort. We are also working in Partnership with Anglo American through the Woodsmith Project to give additional support around emotional well-being and mental health to the secondary schools. Additionally, two of the schools will work more closely with the project for a 3-year period to look at developing engagement and participation of the disadvantaged cohort. We will use mentors to support those in Year 7 to help with attendance, focus and participation in extracurricular activities.

Risk 4: Impact and response to Covid-19

Covid has presented the biggest risk to public health and the economy of Redcar & Cleveland in modern times. As community leaders, the Council has a critical role in protecting life in our communities, including in our workforce. As place leaders, we have a critical role to support business and the local economy. Without an appropriate response to Covid, there would be a significant risk to:

- Life
- People's physical and mental health and wellbeing
- The economy and future job prospects
- The provision of public services to support the most vulnerable in the community, as well as generic services on which every resident depends, and
- The sustainability of the Council, given Covid's huge impact on finances

Progress Update:

We continue to follow government and public health guidance as we all learn to live with Covid, along with our communities. Each week, the Executive Management Team continues to have a regular item on the agenda for each Director to provide a service update which is a catch all for covid and other service-related matters. We are acutely aware that infection rates fluctuate and that new variants could emerge at any time. We are ready to respond to any significant change in circumstances, using the wealth of experience we gained from the March 2020 lockdown and the onward direction of the pandemic. Unless and until such a time, it is intended that this risk is managed at a Directorate level.

Risks and Governance issues identified for 2022/23

73. 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, Corporate Directors, Officers, and Internal Audit were sought.
74. 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**

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.

- **Risk 2: IT Disruption due to Attack**

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.

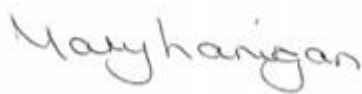
- **Risk 3: Secondary School Attainment and Performance**

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.

Statement of assurance

75. 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)