

## AUDIT AND RISK COMMITTEE

18 July 2024

### ANNUAL GOVERNANCE STATEMENT 2023/24

#### Report of the Strategic Director Resources

Corporate Priorities	Providing good public services	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor A Johnson, Deputy Leader and Portfolio Holder for Governance and Resources	
Contact Officer(s):	Kirsty Nutton Strategic Director Resources (S151)	Tel: 01572 758159 <a href="mailto:knutton@rutland.gov.uk">knutton@rutland.gov.uk</a>
	Andrew Merry Head of Finance (Ds151)	Tel: 01572 758152 <a href="mailto:amerry@rutland.gov.uk">amerry@rutland.gov.uk</a>
Ward Councillors	All	

## 1 SUMMARY AND RECOMMENDATIONS

### 1.1 Summary

- 1.1.1 This report is submitted to the Committee as part of the annual closure of accounts process.

### 1.2 Recommendations

1. To note the arrangement for compiling, reporting on and signing the Annual Governance Statement.
2. Review and comment on the Annual Governance Statement including any areas which should be amended.
3. Subject to changes identified above, agree, and approve the statement for signature by the Chief Executive and Leader of the Council for inclusion in the statement of accounts.

### 1.3 Reasons for Recommendations

- 1.3.1 The production of the Annual Governance Statement (AGS) forms part of the annual closure of accounts process. It is not a financial exercise but represents a corporate overview of the processes and procedures adopted, ie its governance, by the

Council to manage its affairs.

1.3.2 This report is for the Committee to consider under its Terms of Reference

1.3.3 The Annual Governance Statement (AGS) is contained in Appendix B to this report.

## 2 REPORT

### 2.1 Background

2.1.1 The preparation of an AGS is necessary to meet the statutory requirements as set out in the Accounts and Audit (England) Regulations 2015. The AGS covers the Council's governance arrangements for the 2023/24 reporting year.

2.1.2 This report includes the AGS for Committee to review, challenge and advise the Leader and Chief Executive upon accordingly.

2.1.3 Internal control and risk management are recognised as important elements of good corporate governance. The scope of governance, as covered in the AGS, spans the whole range of the Council's activities, and includes those designed to ensure that:

- The Council's policies are implemented in practice
- High quality services are delivered efficiently and effectively
- The Council's values and ethical standards are met
- Laws and regulations are complied with
- Required processes are adhered to
- Its financial statements and published information are accurate and reliable
- Human, financial and other resources are managed efficiently and effectively.

2.1.4 The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. The assurance gathering process to support the AGS is set out in Appendix A.

2.1.5 Evidence has been compiled to confirm the governance arrangements in operation across the Council for the period concerned. This sets out how the Council demonstrates compliance with the principles of good governance and highlights where action is needed to address any weaknesses in the Council's governance arrangements.

#### Internal Audit: Annual Internal Audit Opinion 2023/24

2.1.6 The annual report from Internal Audit is on the agenda to this Committee, July 2024. The table provides an overview of the types of audit opinion issued during the year and is compared with previous year data. 59% of the audit opinions were rated substantial or good, 35% as moderate, and 6% as limited.

Audit opinion	2023/24	2022/23
Substantial	4	7
Good	16	12
Moderate	12	13
Limited	2	2
No	0	0
<b>Total</b>	<b>34</b>	<b>34</b>

- 2.1.7 The Annual Audit Opinion provides a moderate assurance on the overall adequacy and effectiveness of governance, risk management and internal control for 2023/24. In addition, there is an effective Internal Audit in place when measured against the defined criteria as listed above which is in full compliance with the Public Sector Internal Audit Standards.

**External Audit: Auditor’s Annual Report on Rutland Council 2021/22 & 2022/23**

- 2.1.8 Grant Thornton provides an annual report giving an overall evaluation of the Council. The report which covers the two years of 2021/22 and 2022/23 was presented to Committee March 2024. Overall, the letter is positive in nature with respect to performance of the Council as summarised in the table below:

Criteria	Risk Assessment	Recommendations for improvement
Financial Sustainability	No risks of significant weakness identified	3
Governance		2
Improving economy, efficiency, & effectiveness		2

- 2.1.9 The timing of the equivalent report for 2023/24 should follow the timing for the Statement of Accounts with a report expected in the Autumn of 2024.

**Risk Management**

- 2.1.10 Risk management encompasses areas such as projects and performance. In addition, there is a Strategic Risk Register which incorporates significant issues which could have a major impact on the strategic delivery of the Council’s Corporate Strategy and priorities ([the latest update to this Committee was in December 2023](#)), with an updated report on the agenda to this Committee.

**Corporate Governance**

- 2.1.11 Regular updates on governance arrangements are reported through Corporate Leadership Team (CLT), Cabinet, Audit & Risk Committee and ultimately to Full Council. This covers all aspects of governance; from constitutional changes, operational procedures such as Financial or Contract regulations or standards items of business. Significant governance issues established in the AGS are reported to the Audit & Risk Committee.

**3 IMPLICATIONS OF THE RECOMMENDATION**

**3.1 FINANCIAL IMPLICATIONS**

- 3.1.1 This report contains no specific financial implications. The agreement of the AGS does not have any direct financial implications. However, in order to maintain financial control and address risks as identified within the Statement, Directorates may need to allocate resources from within their existing budgets. There are no financial issues arising from this Report.

**3.2 LEGAL IMPLICATIONS**

- 3.2.1 This section has been approved Sarah Khawaja, Head of Legal & Democratic Services

3.2.2 In accordance with the Accounts and Audit Regulations 2015, the Annual Governance Statement should be approved by members of the Council meeting as a whole, or by a committee, so to be incorporated within the final Statement of Accounts when approved following the External Audit report to those charged with Governance.

### 3.3 RISK MANAGEMENT IMPLICATIONS

3.3.1 The main risks to this Report and the Council achieving its objectives are as follows:

<b>Risk 1</b>	<b>Risk</b>
That this Committee does not approve the AGS	Low
<b>Mitigation 1</b>	<b>Residual Risk</b>
The Committee are kept informed of all relevant matters throughout the year as part of its work programme and ability for the Committee to add further consideration of areas of interest.	Low
<b>Record of risk 1</b>	Completion of the Statement of Accounts

### 3.4 DATA PROTECTION IMPLICATIONS

3.4.1 A Data Protection Impact Assessments (DPIA) has not been completed because there are no identified risks or issues to the rights and freedoms of individuals.

### 3.5 EQUALITY IMPLICATIONS

3.5.1 This report contains no specific equalities implications.

### 3.6 COMMUNITY SAFETY IMPLICATIONS

3.6.1 The Council has a duty in accordance with S17 Crime and Disorder Act 1988, when exercising its functions, to have due regard to the likely effect of that exercise of those functions on and the need to do all that it reasonably can to prevent crime and disorder in its area (including anti-social behaviour).

3.6.2 This duty has been considered and there are no community safety implications relating to the recommendations.

### 3.7 HEALTH AND WELLBEING IMPLICATIONS

3.7.1 There are no direct health and wellbeing implications of the Recommendations.

### 3.8 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS

3.8.1 On 11 January 2021 Rutland County Council acknowledged that it was in a climate emergency. The Council understands that it needs to take urgent action to address it.

3.8.2 There are no environmental and climate change implications of the Recommendations.

### **3.9 PROCUREMENT IMPLICATIONS**

3.9.1 There are the no procurement implications from this report.

### **3.10 HR IMPLICATIOINS**

3.10.1 There are no HR implications.

## **4 BACKGROUND PAPERS**

- [Strategic Risk Register, Audit & Risk Committee, 5 December 2023, Item 10](#)
- [Draft Statement of Accounts 2023/24](#)
- Annual Internal Audit Report, Audit & Risk Committee, 18 July 2024

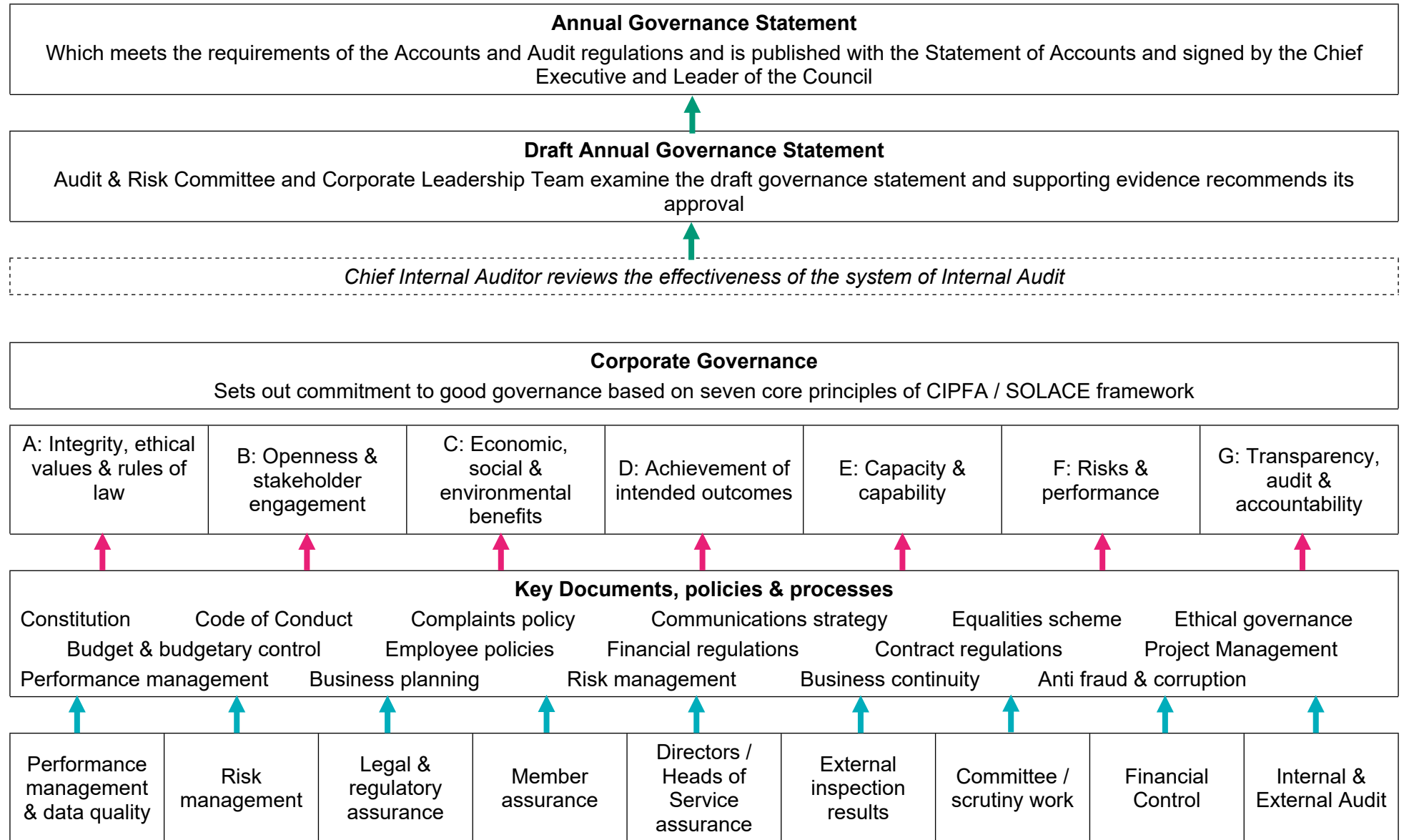
## **5 APPENDICES**

5.1 Appendix A – Framework for the Annual Governance Statement

5.2 Appendix B – Annual Governance Statement 2022/23

An Accessible Version of this Report is available upon request – Contact 01572 722577.

## Appendix A - Framework for the Annual Governance Statement



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# Annual Governance Statement 2023/24



# Annual Governance Statement

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## Scope of Responsibility

Rutland County Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and provides value for money. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities and the Council's ongoing Financial Sustainability workstreams.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, which include the arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Council has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) Framework – Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance. The Annual Governance Statement sets out how the Council has complied with the Code and also meets with the regulation 4(2) of the Accounts and Audit Regulations 2015.

The Council meets the requirements of Regulation 6(1)b of the Accounts and Audit (England) Regulations 2015 in relation to the preparation and publication of an Annual Governance Statement.

It is approved by the Audit and Risk Committee in advance of them agreeing the Statement of Accounts.

The Council's financial management arrangements are consistent with the governance requirements of the Statement on the Role of the Chief Financial Officer in Local Government (2016). The principles being that the Chief Financial Officer (Strategic Director of Resources and s151 Officer):

- Is actively involved and is able to bring influence on the Council's financial strategy
- Leads the whole Council in the delivery of good financial management
- Directs a fit for purpose finance function
- Is professionally qualified and suitably experienced, and
- Is a key member of the Corporate Leadership Team

All Statutory Officers have regular one to one management sessions with the Chief Executive.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. It also enables the Council to demonstrate to the public that it has effective stewardship of the public funds it is entrusted to spend.



The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level consistent with the risk appetite of the Council. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2024 and up to the date of approval of the statement of accounts.

### The Governance Framework

The Council is a unitary authority which was set up in 1997. Its strategic vision and corporate priorities are set out in the [Corporate Strategy Refresh](#) 2024–2026. The Council refreshed its corporate priorities which are:

To deliver these priorities each priority has four key objectives.



### Key Elements of the Governance Framework

The key elements of the Council's governance framework are detailed against each principle in the CIPFA / SOLACE Framework – Delivering Good Governance in Local Government (2016) as follows:

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

- The Council approved in July 2023, a revised Member Officer protocol. The revised protocol provides guidance on how Members and Officers should work together effectively to deliver positive outcomes for Rutland's residents, businesses, and communities. It seeks to apply the Nolan principles (the seven principles of public life) into practice and provides guidance on the best practice means of meeting those standards.
- Member training is provided throughout the year to ensure Members understand and can operate in their role(s) effectively.
- Staff behaviour is governed by the Officer Code of Conduct.
- Third party challenge to the Council's operations is through a publicised complaints procedure. Complaints are responded to the Heads of Service within each department before central escalation if not resolved to the Strategic Director.
- Confidential concerns can be raised through the Council's Whistleblowing Policy.
- The Council have a Counter Fraud Strategy in place to provide proactive solutions to minimise the risks of fraud.
- The scrutiny process as detailed in the Constitution enables those who are not Cabinet members to call in key decisions.

- The Council is managed by a Cabinet system as set out in the Council's Constitution, which shows the scheme of delegation between elected Members and Officers.
- Procurement arrangements recognise the importance of ethics and sustainability with appropriate evaluation of suppliers' proposals for Social Value which includes sustainability issues supported by appropriate contract clauses and monitoring.
- The Chief Executive is the Head of Paid Service and is supported by the Corporate Leadership Team. Cabinet portfolios are assigned on a function basis, rather than directorate and subject to appropriate officer support.
- The Strategic Director of Resources is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit, provided by North Northamptonshire Council, work in line with the Public Sector Internal Audit Standards.
- The system of internal control is based upon a framework of comprehensive financial regulations and procedures. Control is based on regular management information, management supervision, and a structure of delegation and accountability as defined in the Council's Financial Procedure Rules within the constitution.
- The Strategic Director of Law and Governance is the Monitoring Officer and is responsible for ensuring the Council acts in accordance with the law and the Constitution.
- Other members of the Corporate Leadership Team include Strategic Director for Adults and Health, Strategic Director for Children and Families & Strategic for Director Places.

- Officers that hold professional qualifications as part of their roles are supported in their continuous professional development training requirements.

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

- The Council has established clear vision and values linked to its strategic objectives through its Corporate Plan. This was developed with considerable input from the Rutland residents.
- Council meetings are open, to every citizen, are sound recorded and made available online, for example on YouTube.
- The Council works in partnership with Leicestershire County Council and a number of services and senior management are shared for example the Director of Public Health.
- In order to demonstrate its openness, the Council follows the Transparency Code and makes documents publicly available such as the Pay Policy Statement; its Constitution; Council, Cabinet and Committee reports; and Payments over £500.
- Budget considerations of the final budget took place at Full Council on 27 February 2023. The Council Tax increase for the year was 4.99% (2.99% General Increase and 2.00% Adult Social Care).
- The Council held elections for all wards within the County. [Results](#) of which can be found on the Council's website.

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

- The Medium-Term Financial Strategy sets out how services are delivered within the Council's financial resources, including how the Council is delivering innovative solutions to

provide environmental and economic benefits to the citizens of Rutland.

- From February 2024 the Council approved the Integrated Budget Plan 2024/25 which clearly links the financial resources available to each of the Corporate Priorities leading to financial sustainability over the medium term.
- The Council recognises the need for urgent action to address climate change and has declared a Climate Crisis and Ecological Emergency. The Corporate Strategy Refresh 2024-26 recognises the priority of making Rutland a truly green county that is net zero carbon, with the challenge of reducing high levels of waste and its carbon footprint.
- The Council's Committee reports all have mandatory sections detailing the impacts of decisions on Environmental, Equality, Financial and Legal implications.

***Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome***

- Regular Performance Reports are produced and considered by Cabinet.
- The Council produced a financial sustainability strategy which was approved by the Council in July 2022, key aspects of which help to formulate the 2023/24 budget setting process. This process has been further enhanced for 2024/25 through the Integrated Budget Plan and Medium-Term Financial Strategy that clearly links the delivery of the Corporate Strategy to the funding envelope available.
- The Council has been subject to a number of external reviews in 2023/24 including a focused visit on SEND by Ofsted on May 2023, and Ofsted with regards to children services in the Spring 2024. As well as the normal inspections by the

Council's External Auditors – Grant Thornton LLP as part of the Statement of Accounts and Value for Money opinion audits.

- The Council, in order to discharge its functions on Health, has operated a dedicated Health & Wellbeing Board.

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

- To ensure independent reviews of its systems, the Council operates an Internal Audit service where regular reports are taken to the Audit & Risk Committee. The 2023/24 Internal Audit Opinion provided a moderate assurance over the Council's control environment.<sup>1</sup>
- The Constitution is reviewed regularly with the Constitution Working Party to ensure it is fit for purpose with amendments approved by Full Council.
- Regular meetings and one to one manager discussions are held at all levels. As part of these meetings performance is discussed. The performance review process has been reviewed and "Conversations" approach established. A review of the Workforce Strategy commenced in the Spring 2024 with work expected to be complete by the Autumn of 2024.
- The national agreement on pay and conditions of service is implemented as is the commitment to pay the Living Wage for its entire staff.

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<sup>1</sup> Annual Internal Audit Report & Opinion 2023/24 - [Agenda for Audit and Risk Committee on Thursday, 18th July, 2024, 7.00 pm | Rutland County Council \(moderngov.co.uk\)](#)

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

- Risk management is integral to the governance arrangements and the Strategic Risk Register is considered by the Audit & Risk Committee, and the Corporate Leadership Team. The risk management framework consists of a policy statement; risk register; systems for mitigating and controlling risks; and systems for monitoring and reviewing. Risks are escalated through to the Corporate Leadership Team on a monthly basis as part of a wider remit to review performance across the Council.
- New Members receive induction with separate training provided for specific Committee needs.
- All Cabinet meetings consider key matters including those on risk and performance and these are detailed in the Forward Plan.
- The Annual Budget is supported by commentary detailing its deliverability and is supported by the key risks within the budget.
- The Council has a Reserves Strategy and Policy is based on the establishment of six key reserves / funds which provide a balance between funds required for investment to bring financial sustainability to the Council alongside funds for risk mitigation activity. Each year this strategy is reviewed and Council approves the Strategy as part of the Integrated Budget Plan and Medium-Term Financial Strategy.
- The final accounts are prepared in accordance with professional standards and are subject to External Audit.

- Information governance and compliance with the various policies, for example General Data Protection Regulation are regularly monitored through mandatory training.

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

- As part of the Transparency Agenda the Council agreed to publish senior officer salaries over £50,000 and invoices over £500 on its website.
- The Council is proactive in engaging with citizens and other key stakeholders.
- Clear protocols and robust processes are in place to allow Internal Audit and External Audit to undertake their activities to scrutinise and protect the authorities' interests.
- The Council completes all government returns that enables benchmarking of services to other authorities.

**Review of Effectiveness**

The Council's Constitution details Strategic Directors' responsibilities for the maintenance of controls within their directorates. The system of internal control is subject to regular review by Internal Audit. The work of the service is informed by the Council's risk registers, with the allocation of audit resources controlled through an annual risk-based operational plan, which is agreed by the Audit and Risk Committee. In addition to these arrangements the Council receives and responds to reports from other review and assurance mechanisms.

Internal Audit produce an Annual Report each year and for 2023/24 gave the opinion of moderate assurance. The Annual Report contains the Internal Audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework (i.e. the control environment), a summary of the audit

work from which the opinion is derived and any work by other assurance providers upon which reliance is placed and a statement on the extent of conformance with the Standards.

### Summary

The Council has in place strong governance arrangements which we are confident will protect its interests and provide necessary assurances to our citizens and stakeholders.

### Certification

As Leader and Chief Executive, we have been advised on the implications of the results of the review of effectiveness of the Council's governance framework, by the Audit and Risk Committee. The overall assessment is that the Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the Council to ensure effective internal control is maintained. We are also satisfied that there are appropriate plans in place to address any significant governance issues and will monitor their implementation and operations as part of our next annual review.

Signed:

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Date:

Mark Andrews, Chief Executive  
Post 18 July 2024

Signed:

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Date:

Councillor Gale Waller, Leader of the Council  
Post 18 July 2024

**A large print version of this document is available on request**



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