

BRAUNSTONE TOWN COUNCIL

27th JUNE 2024

Item 7 – Annual Governance Statement 2023/2024

Purpose

To ensure sound systems of internal control, including the management of risk and the preparation of accounting statements during the financial year ended 31st March 2024 and to authorise the completion and submission of the Annual Governance Statement 2023/2024 accordingly.

Background

Under the Regulations it is the Council as a whole that is responsible in law for ensuring that financial management is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk. Under the regulations, all local councils are required to conduct a review at least once a year of the effectiveness of their system of internal control, in accordance with proper practices.

Annual Governance Statement

As part of the Annual Governance and Accountability Return, the Council has to demonstrate that it is compliant with the statements set out in Section 1, Annual Governance Statement:

- 1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.**

Prepared accounting statements in accordance with the Accounts and Audit Regulations.

- a) Budgeting:** the Council reviewed its Medium Term Priorities and Financial Planning arrangements at Policy & Resources Committee on 2nd November 2023 and at Council on 16th November 2023 ahead of each Standing Committee reviewing its priorities and objectives alongside its budget and capital plan requirements for 2024/2025 in December 2023 and January 2024.

The Council started the financial year with low balances, as identified in both the internal and external audits of 2023. The cash balances on 1st April 2023 were £214,440 in total; £140,610 was reserved funding (although not all was committed); leaving £73,830.

Each Standing Committee receives a report each cycle setting out income and expenditure to date against the budget.

Financial Monitoring during 2023 identified that utility bills were a major overspend area. The overspend on this at 31st December 2023 was £44,056. The Council's two year fixed rate on energy prices ended early in the financial year and the Council had budgeted for solar panels to be installed in March/April 2023. However, the installations were delayed by six months and are smaller scale due to fitting issues; therefore, the anticipated savings turned out to be less than budgeted. The solar panels were installed in September and October 2023 but due to timescales with setting up export tariffs, income would not arrive (although backdated) until 2024/2025 financial year. The Civic Centre also had its gas cookers condemned and new electric cookers were installed, due to the climate agenda. However, electricity costs are significantly higher than gas.

£10,213 was paid to Fuuse to manage and promote the Electric Vehicle Charging Points for a period of 3 years from July 2023. This payment is split in the accounts to July 2026; however, the cash was paid upfront. Income to 31st March 2024 was £6,039. However, with the delay in installing the solar panels, energy costs during the period are estimated to have been £4,676.

The NJC employers pay settlement for 2023/24 was implemented in November 2023 and worked out as a 6% increase overall for the Town Council's staff. The budget approved in January 2023 provided for a 4% increase. This left a deficit of £13,184 in the salary and pensions budget.

As a result, Policy & Resources Committee on 11th January 2024 received:

- 1) a summary of the Council's Cash, Reserves and Financial Comparisons for the period 1st April 2023 to 31st December 2023 in order to consider actions to ensure the Council would have sufficient cash and reserves to function (Policy & Resources Committee minute 69, 2023/2024); and
- 2) revised five-year budget estimates in order to make recommendations to Council on the budget and precept for 2024/2025 (Policy & Resources Committee minute 72, 2023/2024).

The Policy & Resources Committee agreed to:

- a) request the balance of commuted sums from the District Council for the maintenance of Thorpe Astley Park;
- b) request a short-term loan/advance of the 2024/2025 precept payment;
- c) make an application to the bank for an overdraft facility;
- d) make changes to how cash is managed in the bank accounts; and
- e) review the Council's Financial Position as the first item on every Policy & Resources Committee agenda.

The Council on 25th January 2024 approved the Business Plan, Capital Plan and budget when setting the precept for 2024/2025. The budget included £79,000 to return to balances and a plan to achieve balances equal to one-quarter of net expenditure by 2026.

The Council also resolved to request borrowing approval from the Secretary of State for a short-term loan at the end of the financial year, should one be needed.

The Council was able to meet all its commitments up to the end of the financial year due to minimising expenditure and maximising income since and also with Blaby District Council advancing the balance of the Thorpe Astley Commuted Sums.

Prior to the commencement of a Capital Plan project, Policy & Resources Committee receives a financial appraisal, including grant funding options, use of revenue budgets and details of reserves. For larger more complex Capital Plan projects, Policy & Resources Committee receives an update report at each meeting during the project and a final report on spending at the meeting following the completion of the project.

- b) **Accounting Records and Supporting Documents:** The Council uses Finance and Facilities Management Software packages provided by Edge IT, which record all transactions and provide tracking and reporting of overdue invoices/receipts and orders/payments.

Income received is totalled daily on summary sheets. Invoices for payment are processed at least once a week. Operational expenditure transactions are authorised by two account signatories and each Standing Committee receives a list of all expenditure transactions since the previous report.

The Responsible Financial Officer undertakes quarterly checks on the accounting records and supporting documents and ensures corrective action is taken where necessary.

- c) **Bank Reconciliation:** for the General Operating Account and Payroll Account is undertaken monthly and for the investment account is undertaken quarterly. The Finance System lists transactions to be reconciled and both the reconciliation report and bank statement are signed by the officer reconciling the account, usually the Deputy Responsible Financial Officer, and counter signed by the Responsible Financial Officer.

Policy & Resources Committee receive a summary of the reconciled amounts, cash and reserves following the end of each quarter.

- d) **Investments:** The Council maintains a high interest, short term 90 day notice investment account with a UK Building Society, Cambridge, which contains reserves and surplus monies. The Council also maintains an instant access savings account where income from the precept needed to pay future salary commitments is held alongside large sums, such as a loan, received for a capital project where part of the amount is not immediately due for payment.

The Council reviews and approves its annual Treasury Management and Investment Strategy in November each year when considering its Medium Term Priorities and Financial Planning arrangements.

- e) **Statement of Accounts:** at the end of the financial year, the Responsible Financial Officer closes down the accounts and ensures that the income and expenditure transactions balance with the sums held in the bank accounts.

A summary of the headline figures is reported to Policy & Resources Committee (25th April 2024). Arrangements are made for the Internal Audit to take place in May (8th). Following the Internal Audit, the accounting statements are submitted:

- Corporate Governance Sub-Committee, 13th June 2024 (item 9);
- Policy & Resources Committee, 13th June 2024 (item 9); and
- will be submitted to Full Council on 27th June 2024 (the deadline date for determining the Accounting Statements is 30th June).

For the purpose of the Regulations, Braunstone Town Council is currently classed as a smaller authority (as defined by the Local Audit and Accountability Act 2014) whose gross annual income or expenditure is higher than £25,000 and less than £6.5 million. Accordingly, it is audited under the limited assurance review.

- f) **Reserves:** Policy & Resources Committee receive a summary of the cash and reserves following the end of each quarter. Policy & Resources Committee in October and Council in November reviews the position with both earmarked and non-earmarked reserves as part of its Medium Term Priorities and Financial Planning arrangements ahead of each Standing Committee reviewing its priorities and objectives alongside its budget and capital plan requirements for the following financial year.

Loss of funding, transfer of services, the Covid-19 pandemic and subsequent economic pressures resulted in the Council using £117,000 from its reserves between 2018 and 2023 to offset significant increases in the Council Tax precept in one year; while each subsequent year it delayed replenishing the reserves.

As a result, the Internal Audit report of 2023, contained the following:

Reserves; the current guidance regarding the general reserve held is set out in The Practitioners' Guide (2023) paras 5.32 - 5.36. For authorities with income and expenditure in excess of £200,000 the generally accepted recommendation with regard to the appropriate minimum level of general reserve is 3 months of net revenue expenditure. In discussion with Darren, we concluded that for the audit year 2022-23, that would suggest approximately £180,000 but the actual figure was considerably lower and less than 50% of the guideline figure. Whilst the Practitioners' Guide is just that ie guidance and whilst the calculation of reserves is not an exact science, it is appropriate and prudent that the council reviews its

current position against the guidance to confirm or if necessary amend its plan in respect of the sums held.

The External Audit of 2023 also highlighted the position with the Council's Reserves:

Reserves are considered to be low and could pose a risk to the Town Council's ability to function in the future. The Council has provided explanations for this and assurances that it is considered in their budgetary procedure, and we have reviewed your Medium Term Priorities and Financial Planning document. The 2023 budget was for a small surplus but returned a more significant deficit which raises concerns in respect of the veracity of the budgeted future years figures which each provide for a small surplus. We would anticipate that following this outturn the Council will be reviewing its financial position and its future budgets.

The Council started the financial year with low balances, as identified in both the internal and external audits of 2023. The cash balances on 1st April 2023 were £214,440 in total; £140,610 was earmarked reserves (although £29,060 of this was uncommitted); leaving £73,830 general fund balances.

At the end of the financial year, the authority held £54,906 on the balance sheet; £32,934 in earmarked reserves and £21,972 in general fund balances.

The Council reviewed its earmarked reserves as part of reviewing the Medium-Term Priorities and Financial Planning in November 2023 and March 2024.

The original projected increase of 10.97%, which had been identified in the Medium Term Financial Planning Report of 16th November 2023, would have increased the precept by £85,140.

However, the Council had to dip into its reserves to meet a higher than anticipated NJC pay settlement (£13,184) and increased costs due to inflation, particularly utility costs (£41,138). This was compounded by delays with the installation of solar panels and the scaling back of the proposed installations due to fitting issues. As a result, the Council had to meet higher utility costs for longer while the projected annual savings and income was lower.

In order to replenish reserves and address critically low cash balances, the Council on 25th January 2024 approved a net precept requirement of £981,884 for 2024/2025, an increase of £205,849. The percentage increase on the precept was 26.59% (26.53% increase to the 2023/2024 base budget). The approved budget including the following:

- a) £50,000 to cover a predicted cash deficit and a further £29,000 to replenish half the balance of funds used from the Council's savings account;

- b) £13,184 to fill the gap in salary and pensions base budget; and
- c) £28,525 to account for higher utility costs and lower projects savings from a smaller solar installation.

Given the year commenced with low reserves and that expenditure pressures during year resulted in the position becoming critical, following the setting of the precept in January 2024, the Council resolved to update its Medium Term Priorities and Financial Planning in March 2024. As part of this process, the Council reviewed and adopted a revised Reserves Policy detailing arrangements for Monitoring, Managing and Maintaining the Council's Reserves (along with the principles, previously adopted).

The Council also adopted a plan to replenish reserves by 2026, which included a review of Earmarked Reserves to maximise the level of funds to replenish the revenue (general fund) reserve by only earmarking reserves which are either a commitment or a restricted use.

Policy & Resources Committee also review the position with reserves as part of the financial appraisal for large Capital Projects.

2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.

Made proper arrangements and accepted responsibility for safeguarding public money and resources.

- a) **Standing Orders and Financial Regulations:** The Council's systems of internal controls are set out in the Standing Orders and Financial Regulations. The Council reviews its Standing Orders and Financial Regulations on an annual basis and modifications were approved at Annual Council on 18th May 2023 to both the Standing Orders and Financial Regulations.

Section 11 of the Financial Regulations set out:

- delegated spending limits of officers and Standing Committees;
- a requirement to seek at least three competitive tenders for items over £5,000 and below £25,000; and
- the requirement to follow the procedures set out in the Public Contracts Regulations 2015 for all expenditure of £25,000 and over.

- b) **Safe and Efficient Arrangements to Safeguard Public Money:** An official order is issued for all work, goods and services except where there is a formal contract. Orders are issued following receipt of a signed requisition request, which must be counter signed by a manager. Upon receipt of an invoice, the officer who issued the order will check to ensure the goods or service has been received. Payment is authorised by two members of the Council or one member of the Council and the Chief Executive & Town Clerk (where he did not issue the order).

Invoices are issued in accordance with contracts and terms and conditions. Payment is requested within 30 days. Where payment is not received, then a reminder invoice is sent. If payment remains outstanding after 30 days, a final demand is raised. After this, the provisions of the contract, relevant terms and conditions are applied.

All monies received are paid into the bank, usually weekly; the origin of each receipt is entered on the paying-in slip.

The Financial Regulations provide for Policy & Resources Committee to approve banking arrangements, including account signatories, arrangements for the use of corporate credit cards and regular direct debit and standing order payments. These are reviewed annually by Corporate Governance Sub-Committee in June. The Financial Regulations also set out the maximum limit on credit card purchases and require that the balance is fully paid each month.

The Responsible Financial Officer and Deputy Responsible Financial Officer have undertaken Finance training provided through the National Association of Local Councils. The Responsible Financial Officer provides financial responsibilities training for all Councillors. New Councillors have also received financial responsibilities training through the National Association of Local Councils.

The Financial Regulations are reviewed annually by Policy & Resources Committee and Council. The internal control procedures are reviewed annually by Corporate Governance Sub-Committee.

An assessment of financial risks is attached at Appendix 1; proposed amendments are highlighted in **bold text**.

- c) **Employment:** Employment Contracts, establishment posts and pay scales are approved by the Policy & Resources Committee. Transfer of monies into the payroll account is authorised by two members of the Council. Payment of salaries and expenses are authorised by the Responsible Financial Officer. The Council has a contract with a Human Resources Company for advice on detailed employment and contractual matters. The Council is a member of the Local Government Pension Scheme and fully complies with the requirements to auto-enrol employees into the pensions scheme.
- d) **VAT:** The Financial Management System records VAT paid and received and produces reports for the Responsible Financial Officer who is responsible for submitting an accurate and timely VAT Return. All VAT Returns were submitted on time. The Responsible Financial Officer and Deputy Responsible Financial Officer have undertaken VAT Training provided through the National Association of Local Councils.

For larger projects, contracts and for new initiatives where there are VAT implications, the authority employs the advice of a professional VAT consultant. For example, when issuing the Licence to Occupy the Shakespeare Park Sports Pavilion to a Management Association made up of the Sports Clubs and the Council.

- e) **Fixed Assets and Equipment:** are regularly inspected in accordance with the regulations and the inspection regime set out in the Health & Safety Policy and associated Risk Assessments.

A full list of the Council's assets, including details of those purchased and disposed of during the financial year, are included with the annual accounting statements (which is the next item on the agenda).

Real property (interests in land) can only be disposed with the approval of the Policy & Resources Committee. Any other assets can be disposed by the Chief Executive & Town Clerk where the value is £1,000 or less; or the relevant Standing Committee where the value exceeds £1,000.

- f) **Loans and Long Term Liabilities:** the Council drew down two loans (against a single borrowing approval) during the financial year 2023/2024 towards the cost of the installation of carbon reduction initiatives:

- solar PV panels;
- air source heat pump; and
- electric vehicle charging points.

A full financial appraisal of the project was considered and approved by Policy & Resources Committee (3rd November 2022) and Council (17th November 2022).

The Council continued to repay capital and interest on existing Public Works Loans, in accordance with the respective loan's repayment requirements, for which provision is made in the annual budget.

The Council assesses the funds needed for future capital and interest repayments on its loans through the annual Medium Term Priorities and Financial Planning process in November.

In January 2024, Policy & Resources Committee and Council reviewed the financial position and agreed actions to ensure the Council would have sufficient cash and reserves to function. This included approaching the District Council to obtain a short-term loan/advance of the 2024/2025 precept and an overdraft at the bank. In the event that sums were borrowed in the 2023/2024 financial year but repaid in the 2024/2025 financial year, borrowing approval is required from the Secretary of State.

Council on 25th January 2024 resolved to request borrowing approval from the Secretary of State for a short-term loan at the end of the financial year, should one be needed.

However, the Council was able to meet all its commitments up to the end of the financial year without the need to obtain a loan or overdraft.

- g) **Review of Effectiveness:** an Internal Audit was undertaken by a competent and independent person on 8th May 2024, which will be considered by the Corporate Governance Sub-Committee and Policy & Resources Committee, prior to consideration of this report, in order that recommendations can be made to Council on compliance with the provisions set out in the Annual Governance Statement.

3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of the Council to conduct its business or manage its finances.

Only done what the Council has the legal power to do and has complied with proper practices in doing so.

- a) **Acting within powers:** the relevant legal powers for all the Council's activities are listed in the annual Budget, Precept and future estimates report and appendices, which is considered by Policy & Resources Committee in January each year and subsequently approved by Full Council.

The Town Council has an annual agreement with North West Leicestershire legal for the provision of a range of legal advice and services. The Council is also a member of the Leicestershire and Rutland Association of Local Councils and National Association of Local Councils, which are able to provide advice on the powers and duties of Local Councils.

Advice was sought from the Leicestershire and Rutland Association of Local Councils, National Association of Local Councils and directly from the Department of Levelling Up, Housing and Communities in respect of the legislation in relation to short-term borrowing to meet expenditure in one financial year, using revenue from the following financial year.

When exercising legal powers, the relevant Standing Committee and the Council receive a report with the agenda setting out the context for the decision it is being asked to take, along with recommendations and supporting reasons. The Council's Proper Officer or the Deputy Proper Officer attend Council and Standing Committee meetings to provide legal, financial and policy advice on the matters for determination.

The Council reviews its Standing Orders, Financial Regulations and Scheme of Delegation annually to ensure that its procedures comply with relevant statutes and that decisions are made within the authority at an appropriate level.

- b) **General Power of Competence:** Following elections on 4th May 2023, Braunstone Town Council determined on 18th May 2023, that it met the eligibility criteria in paragraph 2 of the schedule to The Parish Councils (General Power of Competence) (Prescribed Conditions) Order 2012. SI 2012 No. 965 and was an eligible local council for the purpose of completing any activity undertaken in exercise of the General Power of Competence.

Where the General Power of Competence is to be used legal advice is sought (see paragraph a above) and the details are set out in the report of the Chief Executive & Town Clerk to Standing Committee / Council as appropriate. Using the General Power of Competence, the Town Council manages and operates the Braunstone Town Library service and offers a Grant Scheme for individuals.

- c) **Regulations and Proper Practices:** The Chief Executive & Town Clerk reports to the relevant Standing Committee when regulations require a change to policy, duties and responsibilities, service structure, or requires resources. The Town Council is a member of the Leicestershire & Rutland Association of Local Councils/National Association of Local Councils and has direct access to legal advice. In addition, the Town Council sources legal advice and support from North West Leicestershire Legal, employment advice and support from Personnel Advice & Solutions Ltd and subscribes to services and advice from the Local Government Association. The Chief Executive & Town Clerk is a member of the Society of Local Council Clerks who also provide legal support and advice.

Annual reviews are undertaken of the Standing Orders, Financial Regulations, Scheme of Delegation and Councillor Code of Conduct to ensure compliance. Council policies are reviewed at least every Council Term or as a result of legislative changes.

An annual audit and detailed review of proper practices is undertaken by the Corporate Governance Sub-Committee in June, who directly report to Policy & Resources Committee and full Council.

- d) **Actions during the year:** the Chief Executive & Town Clerk as the principle legal advisor (or the Deputy Chief Executive & Community Services Manager), attends all decision making Committees and Full Council; where decisions are required a report/supporting material is issued in advance with the agenda and recommendations included. All decisions (including those taken under delegated authority) are recorded.

There were no instances during the year when the authority exceeded its powers or contravened any laws, regulations or proper practices.

4. **We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.**

During the year gave all persons interested the opportunity to inspect and ask questions about the authority's accounts.

a) **Exercise of public rights:** for the Year Ended 31st March 2023, in accordance with Sections 26 and 27 of the Local Audit and Accountability Act 2014 and Part 5 of the Accounts & Audit Regulations 2015, the Council published on Thursday 30th June 2023:

- Sections 1 and 2 of the Annual Governance and Accountability Return;
- a declaration that the status of the statement of accounts was 'unaudited'; and
- a statement that set out details of how the public rights could be exercised, which commenced on Monday 3rd July 2023 until Friday 11th August 2023.

b) **External Auditor's Review:** The External Audit was completed on 14th August 2023. A notice was published to electors on 21st August 2023, in accordance with Regulation 16 of the Accounts and Audit Regulations 2015, of the conclusion of the audit and the right of electors to inspect the Annual Governance and Accountability Return and review the findings of the external audit.

5. **We carried out an assessment of the risks facing the Council and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.**

Considered and documented financial and other risks and have dealt with them properly.

a) **Identifying and assessing risks:** The Council identifies, assesses and records risks that could have financial and reputational consequences. The corporate risks are attached at Appendix 1; proposed amendments are highlighted in **bold text**.

Given the critically low level of cash balances and reserves, during the financial year, the risk assessment attached at Appendix 1 has been updated to include revised arrangements for both banking and budgeting and includes a new "Risk to Services and the ability of the Council to function due to level of Cash Balances and Reserves".

The Council reviewed and adopted, following consultation, a revised Health & Safety Policy & Procedure, which took effect on Monday 11th September 2023.

The revisions considered legislative changes since 2018 and changes to the Town Council's services and operations. The main areas of change in the revised policy and procedure are the incorporation of:

- (a) Employee Induction Health & Safety Training;
- (b) Job Roles and Responsibilities;
- (c) Mental Health;
- (d) Homeworking;
- (e) Prevention of Terrorism; and
- (f) Pregnant Workers and New Mothers.

During the year, the Health & Safety Consultative Group undertook a review of the Emergency Health and Safety Information for persons in charge of a function/event at Braunstone Civic Centre and Thorpe Astley Community Centre.

During the financial year 2023/2024, the Health & Safety Consultative Group commissioned and adopted new operational service and activity risk assessments:

- Library
- Mossdale Meadows Cycle Path, including new link to Meridian Leisure

In accordance with the Council's Health & Safety Policy & Procedure, the Council's Management Team and the Health & Safety Consultative Group also considered Accident Investigation Reports and the associated recommendations for four separate incidents. Two of the incidents are the subject of an ongoing public liability claim through the Council's insurers.

Fire Risk Assessments as required by Regulatory Reform (Fire Safety) Order 2005 were completed for Braunstone Civic Centre, Thorpe Astley Community Centre and Mossdale Meadows Depot and Sports Changing Rooms on 11th July 2022 by Vital, which also included a General Risk Assessment. Based on these reports, daily checks are carried out at the Council's facilities to ensure that escape routes are clear and the Fire Risk Assessment checklist is completed every three months.

Banking – Compensation Scheme – with effect from 31st December 2010 the Government Scheme offers full compensation up to £85,000 per saver or authorised institution. The Corporate Governance Sub-Committee reviewed the risks of holding over £85,000 in any one bank account in June 2021 and considered the risk of losing large sums was low given the Town Council only invested in UK Bank Accounts (Corporate Governance Sub-Committee minute 7, resolution and reason 1, 2021/2022).

- b) **Addressing risks:** A review was undertaken of the Council's Insurance Policy and Assets Register in October when the Policy was due for renewal. As part of the renewal of insurance in 2022, the Council's buildings (Braunstone Civic Centre, Thorpe Astley Community Centre and Mossdale Pavilion and workshop) were revalued to ensure that the

insurance value was sufficient for rebuild. The new Shakespeare Park Pavilion was valued in July 2021 upon practical completion. The revised valuations have been included in the insurance policy and have been included under the "Insurance Value" column of the Fixed Assets List, which forms part of the Accounting Statements (see next item on the agenda).

During June 2023 ROSPA undertook the annual inspections of all Braunstone Town Council play areas including play areas, Multi Sports areas, teenage areas and the skate park area. The inspections included reports on fencing, litter bins, safety surfaces and play equipment with priorities for work marked low, medium or high.

Three high priority items were noted at three of the Town Council's areas as follows:

- Mossdale Meadows Skate Park surface transition points uneven
- Thorpe Astley Gym – overhead bars – decayed timber
- Holmfield Park Swing – bolts loose (tightened and secure on receipt of the report).

A number of medium priority areas were highlighted in the reports with the majority of these items marked as a low risk factor.

Policy & Resources Committee considered these items at its meeting on 15th June 2023 and agreed that the remaining high priority items be addressed immediately and a work programme for the medium priority items with a risk factor of 9 should be undertaken during the summer; with medium priority items with a risk factor of 8 and below being included in the Winter Works Programme 2023/2024.

On 15th June 2023, Corporate Governance Sub-Committee reviewed the Council's systems of internal control, including the management of risk, in order to determine whether there were sound systems of internal control and management of risk.

A list of the Town Council's fixed assets was revised and updated during 2023/2024 to include:

- Lighting columns, CCTV and signage on the new Cycle / Pedestrian path through Mossdale Meadows from Kingsway to Meridian Leisure;
- equipment installed in the Café Kitchen at Braunstone Civic Centre;
- Changing Places Toilet;
- Solar panels at Braunstone Civic Centre, Thorpe Astley Community Centre and Braunstone Town Library;
- Air Source Heat Pump at Thorpe Astley Community Centre;
- Electric Vehicle Charging Points at Braunstone Civic Centre and Thorpe Astley Community Centre;
- two new notice boards;
- the refurbishment of Shakespeare Park Play Area.

During the review, the Insurance Policy was updated to include new items purchased following the previous review. The Town Council's insurance policy covers the following risks:-

Public Liability	up to £10m any one claim
Employers Liability	up to £10m any one claim (£5m from Terrorism)
Money	Premises during working hours/in safe: £1,000; Out of safe/in transit, £1,000.
Fidelity Guarantee	£500,000
Legal Defence	£100,000
Officials Liability	£500,000

Business Interruption Gross Rentals	£120,972
Additional Cost of Working	£10,000
(Maximum Indemnity Period:- 12 months)	

6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.

Arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of the Council.

An Internal Audit was undertaken Hannah Shaw, through the Leicestershire & Rutland Association of Local Councils' Internal Audit Services on 8th May 2023, which will be considered by the Council's Corporate Governance Sub-Committee, Policy & Resources Committee and Council on the agenda prior to this item to ensure compliance with the provisions set out in the Annual Governance Statement.

Internal Audit had access to all the end of year financial reports and associated records and the Council's policies, strategies, agendas and minutes. The Responsible Financial Officer was available to assist the Internal Auditor in his work.

7. We took appropriate action on all matters raised in reports from internal and external audit.

Responded to matters brought to the Council's attention by internal and external audit.

The overall opinion of the Internal Audit in 2022/2023 was that "*the council continues to exhibit consistently high standards of governance and accountability that are well above average*".

Two recommendations were made by the Internal Auditor in 2023 (Land & Buildings and Reserves) and the Action Plan was approved by Corporate Governance Sub-Committee, Policy & Resources Committee and Council in June 2023.

The External Audit was completed on 14th August 2023 and while no matters were raised concerning the Town Council's accounts and governance arrangements for the year ended 31st March 2023; the external auditor noted the following *"We draw your attention to the following points. Reserves are considered to be low and could pose a risk to the Town Council's ability to function in the future. The Council has provided explanations for this and assurances that it is considered in their budgetary procedure, and we have reviewed your Medium Term Priorities and Financial Planning document. The 2023 budget was for a small surplus but returned a more significant deficit which raises concerns in respect of the veracity of the budgeted future years figures which each provide for a small surplus. We would anticipate that following this outturn the Council will be reviewing its financial position and its future budgets"*. The outcome of the External Audit was reported to Policy & Resources Committee on 3rd November 2022.

The internal audit recommendation relating to Land and buildings with a commercial value; that Land and buildings should be detailed on the Asset Register with a commercial value, was actioned during the year and the Asset Register updated accordingly.

The internal audit recommendation relating to the general reserve that the Council review its current position against the guidance to confirm or if necessary amend its plan in respect of the sums held and the observation of the external auditor that the Council review its financial position and its future budgets was carried out as part of the review of the budget and precept setting in January 2024 and the review of the Council's Medium Term Priorities and Financial Planning in March 2024.

On 25th January 2024, the Council approved a precept which included £79,000 to be reinvested to replenish reserves during 2024/2025. On 21st March 2024, Council approved a plan to replenish its general fund reserve to the equivalent of 3 months of net revenue expenditure by 2026 as recommended in The Practitioners' Guide, paragraphs 5.32 - 5.36. The five-year projections table in the Medium Term Priorities and Financial Planning Report has been updated to include a section on the level of reserves held and the percentage of general fund revenue reserve compared to net revenue expenditure.

In addition, the Medium Term Priorities and Financial Planning Report of March 2024 included a revised and updated Reserves Policy, which was adopted by the Council. The revised Reserves Policy details arrangements for Monitoring, Managing and Maintaining the Council's Reserves. It also includes a requirement to consider proposals to replenish the general fund reserved when levels fall below the recommended equivalent of 3 months of net revenue expenditure.

As part of the annual review of the Financial Regulations, Annual Council on 9th May 2024 approved the inclusion of the following in the Financial Regulations: *"Any proposal to utilise reserves to balance revenue spending will be made in accordance with the provisions contained in the Council's*

Reserves Policy. The Council will maintain revenue reserves of at least one-quarter of net expenditure. Where revenue reserves fall below this level, proposals will be made to replenish them in accordance with the Reserves Policy” (Council Minute 6221).

8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on the Council and, where appropriate have included them in the accounting statements.

Disclosed everything the Council should have about its business activity during the year, including events taking place after the year-end if relevant.

The Council started the financial year with low balances, as identified in both the internal and external audits of 2023.

Financial Monitoring during 2023 identified that utility bills were a major overspend area. The pro-rata overspend against the budget at 31st December 2023 was £44,056.

As a result, Policy & Resources Committee on 11th January 2024 received:

- 1) a summary of the Council's Cash, Reserves and Financial Comparisons for the period 1st April 2023 to 31st December 2023 in order to consider actions to ensure the Council would have sufficient cash and reserves to function (Policy & Resources Committee minute 69, 2023/2024); and
- 2) revised five-year budget estimates in order to make recommendations to Council on the budget and precept for 2024/2025 (Policy & Resources Committee minute 72, 2023/2024).

When setting the budget and precept on 25th January 2024, the Council approved the inclusion of £79,000 to return to balances and a plan to achieve balances equal to one-quarter of net expenditure by 2026. The Council also resolved to request borrowing approval from the Secretary of State for a short-term loan at the end of the financial year. This was not needed since the Council was able to meet all its commitments up to the end of the financial year due to minimising expenditure and maximising income.

However, given at the end of the financial year, the authority held £27,897 in cash with access to £22,628; the Town Council did not have sufficient cash to meet its commitments prior to receipt of the first tranche of the precept on 26th April.

Therefore, taking into account cash at the bank, projected income and expenditure and allowing for a contingency, the Responsible Financial Officer applied to Blaby District Council to borrow £60,000 to meet commitments (including salaries) during April (approved by Policy & Resources Committee Minute 91 2023/2024). Interest was charged on this loan at 5.26%; which for the period 9th to 25th April was £146.99. The capital plus the interest was deducted by the District Council from the first precept payment of £490,942 on

26th April 2024. The Council had £15,311 in the operating account at the close of business on 25th April 2024.

No borrowing approval was needed from the Secretary of State for sums borrowed and repaid in the same financial year.

Given the critically low level of cash balances and reserves, Policy & Resources Committee approved the following actions to provide a contingency fund during 2024/2025:

- a) Public engagement concerning the financial position, proposals for one-off savings in 2024/2025 and ongoing savings.
- b) Approved £30,000 of one-off savings in 2024/2025; the aim being to provide a contingency fund given how low balances are. Delivering these items are delayed to the following financial year (2025/2026), although the money is in the base budget.
- c) Adjusted monthly employee pay date from 24th of the month to 28th month (except December) to ensure that salary payments in April and September each year can be met using the same year precept.

9. Trust funds including charitable – in our capacity as the sole managing trustee we have discharged our accountability responsibilities for the funds(s)/assets, including financial reporting and, if required, independent examination or audit.

Met all of our responsibilities where, as a body corporate, the Council is a sole managing trustee of a local trust or trusts.

Not Applicable. The Council is not a sole managing trustee of trust/charitable funds.

Review of Systems of Internal Control

The Corporate Governance Sub-Committee received and approved the proposed updates to the Council's Corporate Risks Assessment (Appendix 1).

Having reviewed the control measures for each of the areas listed on the Annual Governance Statement and having reviewed and assessed the risks facing the Council and associated mitigating measures, on 13th June 2024 both the Corporate Governance Sub-Committee and Policy & Resources Committee were confident that to the best of their knowledge and belief, with respect of the accounting statements for the year ended 31st March 2024, there were sound systems of internal control and management of risk (Minute 8).

Recommendation

That the systems of internal control and management of risk, as set out in the report and in the updated Corporate Risk Register at Appendix 1, be approved and confirmed as sound; and that Section 1, Annual Governance Statement 2023/24, of the Annual Governance and Accountability Return 2023/2024, attached at Appendix 2 of the report, be completed, signed and submitted accordingly.

Reason

Having reviewed the control measures for each of the areas listed on the Annual Governance Statement and also the assessment of risks facing the Council and associated mitigating measures, the Corporate Governance Sub-Committee were confident that to the best of their knowledge and belief, with respect to the Accounting Statements for the year ended 31st March 2024, there were sound systems of internal control and management of risk.

BRAUNSTONE TOWN COUNCIL: CORPORATE RISK MANAGEMENT – 3rd JUNE 2024

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
Assets	Protection of physical assets	L	Buildings 'All Risks' insurance. Value increased annually by RPI. Fixed Assets list, which is published as part of the Accounting Statements, details Insurance Values for Buildings, Civic Regalia, Infrastructure (including CCTV, fences, sculptures and street furniture) and Recreation, Sports & Play Equipment.
	Security of buildings, equipment etc	L	Civic Centre, Thorpe Astley Community Centre, Shakespeare Park Pavilion and Mossdale Meadows Garage are protected by CCTV and alarm call-out system.
	Maintenance of buildings & Equipment etc	L-M	Buildings currently maintained in accordance with maintenance schedules. Annual ROSPA Report on Play Equipment – any remedial work undertaken on Winter Works Programme. Planned programme of electrical and safety equipment in place – In accordance with the Council's Safety Statement the Resources & Facilities Manager and the Senior Groundspersons are responsible for maintaining the Work Equipment Inventory, Legionella Inspection Regime and Equipment Maintenance Schedules (Form BTC 60)
	Protection of Data and Electronic Information and Records	M	The Council employs a professional IT consultant, IT Solutions Ltd, to manage the Council's IT Systems, including security and back up.

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
Finance	Banking	M	<p>A minimum of two Current Accounts with the Co-operative Bank are maintained, a general account and a payroll account.</p> <p>The Council also holds a Business Select Instant Access Account with the Co-operative Bank, which is used to hold the equivalent sums for salaries and oncosts for the period until the next tranche of the parish precept income is received from the billing authority. The leaves the balance of the precept income in the General Operating Account for the remaining expenditure. Funds are then transferred each month as required from the Business Select Instant Access Account to the Payroll Account to meet monthly salary and oncosts (since the Payroll Account is a single signatory on the mandate). This arrangement will make it easier for the Responsible Financial Officer and Deputy Responsible Financial Officer to identify trends in cash balances and manage commitments, receipts and payments accordingly.</p> <p>The Council maintains a high interest, short term 90 day notice investment account with a UK Building Society, Cambridge, which contains reserves and surplus' monies.</p> <p>Banking Arrangements are governed by Section 5 of the Council's Financial Regulations adopted on 30th June 2016 and revised on 18th May 2023 and 9th May 2024.</p> <p>The government Compensation Scheme offers full compensation up to £85,000 per saver or institution. The Council currently has its financial resources with two United Kingdom banking institutions.</p>

APPENDIX 1

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
	Risk of consequential loss of income	L	<p>Insurance cover. This will be reviewed prior to renewal in November to take account of the revenue from the Council's Community Centres.</p> <p>Important documents stored in fire proof safe and scanned onto the computer network, which is backed-up at Thorpe Astley Community Centre. The Council's Computer Booking System and Accounts Package are backed up daily on-line off the premises by the Package provider.</p> <p>Policy & Resources Committee receives financial comparisons against approved income budgets each cycle and where it identifies that loss of income is significant (for example due to Covid-19 restrictions in 2020) is able to receive reports setting out proposals to address the financial shortfall.</p>
Finance (cont.)	Loss of cash through theft or dishonesty	L	<p>The Council's systems of internal control are set out in the Financial Regulations revised on 18th May 2023 and 9th May 2024. The Council also has Fidelity Guarantee insurance cover up to £500,000.</p> <p>The Council's Insurance Policy provides Officials Liability Insurance cover of £500,000; with legal representation costs of £15,000.</p>

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
	<p>Risk to Services and the ability of the Council to function due to level of Cash Balances and Reserves</p>	<p>H</p>	<p>Reserves Policy includes provisions for Monitoring, Managing and Maintaining the Council’s Reserves. This includes a requirement as part of setting the annual budget and precept for Policy & Resources Committee and Council to consider proposals for replenishing general fund reserves where it falls below one-quarter of net revenue expenditure. The requirement to hold a general fund reserve equivalent to one-quarter of net revenue expenditure or consider proposals to replenish the reserve is also set out in the Council’s Financial Regulations.</p> <p>Policy & Resources Committee monitor income and expenditure against agreed budgets to date as the first substantive item on the agenda at each meeting; prior to consideration of any other items on the agenda such as capital projects, contracts and next year budget and precept.</p>
	<p>Loss of income due to poor reputation and/or failure to provide a service</p>	<p>L</p>	<p>The Council’s Computer Booking System and Accounts Package are backed up daily on-line off the premises by the Package provider.</p> <p>The Council has policies and procedures in place relating to Customer Service, Business Continuity, Health & Safety and Complaints.</p> <p>Staff receive training in Customer Service and use of IT systems.</p>

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
	Financial controls and records	L	Monthly bank reconciliations are prepared by the officer administering day to day finances and checked by the Chief Executive & Town Clerk. Two signatories on cheques and internet banking payments. Each Standing Committee receives a list of all expenditure transactions since the previous report. Policy & Resources Committee receive a summary of the Council's Cash and Reserves following the end of each quarter. Internal and external audit.
	Comply with Customs and Excise Regulations	L	Use help line when necessary. VAT payments and claims calculated by the Chief Executive & Town Clerk. Internal and external auditor check. Professional VAT advice sought for major projects and new circumstances.
Finance (cont.)	Sound budgeting to underlie annual precept	H	<p>Policy & Resources Committee and Council receive the annual Medium Term Priorities and Financial Planning assessment each autumn. Precept derived directly from this. Income and Expenditure against budget reported to Committees each cycle.</p> <p>Reserves Policy includes provisions for Monitoring, Managing and Maintaining the Council's Reserves. This includes a requirement as part of setting the annual budget and precept for Policy & Resources Committee and Council to consider proposals for replenishing general fund reserves where it falls below one-quarter of net revenue expenditure. The requirement to hold a general fund reserve equivalent to one-quarter of net revenue expenditure or consider proposals to replenish the reserve is also set out in the Council's Financial Regulations.</p>

APPENDIX 1

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
	Complying with borrowing restrictions	L	The Council assesses the funds needed to secure existing and future capital and interest repayments on its loans through the annual Medium Term Priorities and Financial Planning process.
Liability	Risk to third party, property or individuals	M	Insurance in place. Open spaces checked weekly. Trees investigated annually and when damage reported. Risk assessments of individual events carried out as necessary.
	Legal liability as consequence of asset ownership (especially playgrounds)	M	Insurance in place. Weekly checks of playgrounds and buildings and written records kept. Quarterly building safety checks undertaken and written records kept. Annual safety checks of playgrounds by ROSPA.
	Risk to individuals as a result of service operations.	M	Each of the Council's services and activities are risk assessed by the Health & Safety Consultative Group and control measures identified and reviewed at least every 3 years.
Employer Liability	Comply with Employment Law	L	<p>The Council has commissioned the services of a professional Human Resource advisor, Personnel Advice & Solutions Ltd, to advise and support the Council on all employment matters.</p> <p>Membership of various national and regional bodies including Local Government Association, Society of Local Council Clerks, National Association of Local Councils. DIS checked weekly for updates. The Council has insurance for Employer's Liability.</p>

APPENDIX 1

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
	Comply with Tax & National Insurance requirements	L	Regular advice from HMRC and Sage. Internal and external auditor carries out annual checks.
	Safety of Staff and visitors	L-M	Panic alarms and CCTV fitted at Civic Centre and Thorpe Astley Community Centre. Regular risk assessment checks and reviews undertaken by the Health & Safety Consultative Group. Health & Safety Policy & Procedure reviewed and adopted in September 2023 .
Legal Liability	Ensuring activities are within legal powers	L	Chief Executive & Town Clerk to clarify legal position on any new proposal. Legal advice to be sought where necessary, including from the Council's Legal Advisors, North West Leicestershire Legal, and from the National Association of Local Councils.
	Proper and timely reporting via the Minutes	L	Council meets six times per annum and always receives Minutes of Standing Committees held in interim. Minutes made available to press and public at the Civic Centre and via the web site.
Legal Liability (cont.)	Proper document control	L	Original leases deeds etc stored at in fire proof safe and at the Council's Solicitors office. Agreements and documentation made since 2015 have been scanned onto the computer network, which is backed-up at Thorpe Astley Community Centre.
Councillor propriety	Registers of Interests and gifts and hospitality in place	L	Register of interest completed. Gifts and hospitality register is available for public inspection during normal office hours

APPENDIX 1

Area	Risk (bold indicates new risk)	Level	Controls (bold indicates revisions in June 2024)
Service Provision	Loss of Service Provision due to an Emergency or Legal Restriction	M	The Council has policies and procedures in place for Business Continuity and Recovery. The policy was adopted in April 2018 is reviewed at least every three years and following legislative changes or use during an incident. The policy was updated in October 2020 following its use during the Covid-19 incident and recovery. The policy is next scheduled for review in 2025.

We acknowledge as the members of:

ENTER NAME OF AUTHORITY

our responsibility for ensuring that there is a sound system of internal control, including arrangements for the preparation of the Accounting Statements. We confirm, to the best of our knowledge and belief, with respect to the Accounting Statements for the year ended 31 March 2024, that:

	<i>Agreed</i>		
	Yes	No*	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.			<i>prepared its accounting statements in accordance with the Accounts and Audit Regulations.</i>
2. We maintained an adequate system of internal control including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.			<i>made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.</i>
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and Proper Practices that could have a significant financial effect on the ability of this authority to conduct its business or manage its finances.			<i>has only done what it has the legal power to do and has complied with Proper Practices in doing so.</i>
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.			<i>during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.</i>
5. We carried out an assessment of the risks facing this authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.			<i>considered and documented the financial and other risks it faces and dealt with them properly.</i>
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.			<i>arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.</i>
7. We took appropriate action on all matters raised in reports from internal and external audit.			<i>responded to matters brought to its attention by internal and external audit.</i>
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this authority and, where appropriate, have included them in the accounting statements.			<i>disclosed everything it should have about its business activity during the year including events taking place after the year end if relevant.</i>
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	N/A

***Please provide explanations to the external auditor on a separate sheet for each 'No' response and describe how the authority will address the weaknesses identified. These sheets must be published with the Annual Governance Statement.**

This Annual Governance Statement was approved at a meeting of the authority on:

DD/MM/YYYY

and recorded as minute reference:

MINUTE REFERENCE

Signed by the Chair and Clerk of the meeting where approval was given:

Chair **SIGNATURE REQUIRED**

Clerk **SIGNATURE REQUIRED**

ENTER PUBLICLY AVAILABLE WEBSITE/WEBPAGE ADDRESS