GEDLING BOROUGH COUNCIL
ANNUAL GOVERNANCE STATEMENT 2018/19

1.   Scope of Responsibility

1.1   Gedling Borough 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 used economically, efficiently and effectively. Gedling Borough 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.

1.2   In discharging this overall responsibility, Gedling Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3   Gedling Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the authority's code is on our website at www.gedling.gov.uk or can be obtained from the Deputy Chief Executive and Director of Finance, Gedling Borough Council, Arnot Hill Park, Arnold, Nottingham. NG5 6LU. This statement explains how Gedling Borough Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an annual governance statement.

2.   The Purpose of the Governance Framework

2.1   The governance framework comprises the systems and processes, culture and values by which the authority 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.

2.2   The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. 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 Gedling Borough 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.

2.3   The governance framework has been in place at Gedling Borough Council for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

3.   The Governance Framework

3.1   Gedling Borough Council's approach to the *"Local Code of Corporate Governance"* recognises that effective governance is achieved through the 7 core principles and 21 supporting principles as identified in the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government 2016 Edition*. These are:

(A) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
  (i) Behaving with integrity
  (ii) Demonstrating strong commitment to ethical values
  (iii) Respecting the rule of law

(B) Ensuring openness and comprehensive stakeholder engagement.
  (iv) Openness
  (v) Engaging comprehensively with institutional stakeholders
  (vi) Engaging with individual citizens and service users effectively

(C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
  (vii) Defining outcomes
  (viii) Sustainable economic, social and environmental benefits

(D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
  (ix) Determining interventions
  (x) Planning interventions
  (xi) Optimising achievement of intended outcomes

(E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
  (xii) Developing the entity's capacity
  (xiii) Developing the capability of the entity's leadership and other individuals

(F) Managing risks and performance through robust internal control and strong public financial management.
  (xiv) Managing risk
  (xv) Managing performance
  (xvi) Robust internal control
  (xvii) Managing data
  (xviii) Strong public financial management

(G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
  (xix) Implementing good practice in transparency
  (xx) Implementing good practices in reporting
  (xxi) Assurance and effective accountability

3.2   The Audit Committee held on 20 March 2018 received the report on Gedling's *"Local Code of Corporate Governance 2018/19"* which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review has confirmed that these were in place for the whole of the financial year.

4.   Governance Arrangements

4.1   There is a governance assurance framework through which the Council satisfies itself as to the effectiveness of its system of internal control. This takes as its starting point the Council's principal statutory and organisational objectives as set out in the Council's Corporate Plan. From this are identified the key risks to the achievement of the Council's objectives as set out within the Council's corporate, directorate and service risk registers.

4.2 The framework identifies the main sources of assurance on the controls in place to manage those risks, and it is the evaluation of those assurances that is the basis of this Annual Governance Statement.

4.3 The following documents establish these policies, aims and objectives at a strategic level:

- The Corporate Plan (The Gedling Plan);
- The Community Safety Partnership Strategy;
- The Local Development Framework;
- The Annual Budget and Performance Management Framework;
- The Financial Strategy;
- The Treasury Management Strategy;
- The Internal Audit Strategy;
- The Risk Management Strategy;
- The Corporate Equalities Scheme;
- The Anti-Fraud & Anti-Corruption Strategy.

4.4 These high level plans are further supported by Service Plans. The Constitution provides clear guidance on how the Council operates, how decisions are made and the procedures and protocols to ensure that decisions and activities are efficient, transparent and accountable to local citizens. Some of these processes are required by law, whilst others are determined by the Council for itself. All of these documents are within the Council's Publication Scheme and available on the Council's website at www.gedling.gov.uk or can be inspected at the Council's Civic Centre, Arnot Hill Park, Arnold, Nottinghamshire.

4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions, and demonstrates how the Council meets defined standards of governance in relation to its policies, aims and objectives.

4.6 The Council acknowledges its responsibility to ensure that it operates an effective system of internal control to maintain and operate controls over its resources. This system of internal control can only provide reasonable (not absolute) assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are prevented or would be detected within a reasonable period.

4.7 The internal control system includes:

- Annual review of the effectiveness of the Council's Corporate Governance Framework, including signed Assurance Statements from Directors and Service Managers;

- An established anti-fraud strategy, including whistle-blowing procedures, communicated to Members, officers and the public, and are available on the Council's website;

- An established Audit Committee that undertakes the core functions as identified in CIPFA guidance;

- The Terms of Reference for the Audit Committee which include specific responsibility for reviewing risk management procedures, including the reporting arrangements on strategic risks via a corporate risk scorecard;

- A Risk Management Strategy that is led by Senior Management for the identification and evaluation of Corporate Risks, and integrated with the work of Internal Audit to provide a holistic source of assurance aligned to corporate objectives;

- A comprehensive risk management process that includes the identification of both strategic and operational risks which are held and maintained on corporate and directorate Risk Registers, and subject to regular review;

- Internal audit reviews are carried out using a risk-based audit approach with the emphasis on key financial systems. This work is undertaken in co-operation with the Council's External Auditor ensuring maximum use of Audit resources, and ensures that professional standards are maintained;

- Performance Plan monitoring, review and reporting;

- Facilitation of policy and decision making through the Constitution, Codes of Conduct and the decision-making process, Forward Plan and role of the Scrutiny Committees;

- The statutory roles of the Council's Head of Paid Service, Monitoring Officer and Chief Financial Officer place a duty on these post-holders to ensure compliance with established policies, procedures, laws and regulations;

- Compliance with established policies, procedures, laws and regulations are monitored through the work of the Finance and Legal staff that are adequately trained and experienced;

- Budgetary and performance management reporting to management, Cabinet and Council;

- Formal project management guidelines;

- Adherence to good employment practices;

- Governance training has been provided to all key officers and Members, including induction training, and arrangements are in place for the ongoing continuation of that training.

5. Financial Management

5.1 Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the Section 151 Officer.

5.2 Internal financial control is based on a framework of management information that includes the Financial Regulations, Contract Standing Orders and Procurement Procedure Rules and administration procedures, adequate separation of duties, management supervision, and a system of delegation and accountability.

5.3 The Council has produced comprehensive procedure notes/manuals for all key financial systems, and these are regularly reviewed. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- The economic and efficient use of resources;
- Compliance with policies, procedures, laws, rules and regulations;
- The safeguarding of Council assets;
- The integrity and reliability of information and data.

5.4 CIPFA issued in 2016 a Statement on *"The Role of the Chief Financial Officer in Local Government"*, and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Section 151 Officer:

- is a member of the Senior Leadership Team and plays a key role in helping it to develop and implement strategy to resource and deliver the Council's strategic objectives sustainably and in the public interest.
- is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and there is alignment with the Council's overall financial strategy.
- leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- leads and directs the finance function, which is resourced to be fit for purpose.
- is professionally qualified and suitably experienced.

5.5 CIPFA issued in 2010 a Statement on "The Role of the Head of Internal Audit", and this covered five key areas. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

- champions best practice in governance and management, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments.
- gives an objective and evidence based opinion on all aspects of governance, risk management and internal control.
- is Chris Williams, a Director of RSM UK, and he (or his RSM representatives) have had regular and open engagement across Gedling Borough Council, particularly with the Leadership Team and with the Audit Committee.
- leads and directs an internal audit service that is resourced to be fit for purpose.
- is professionally qualified and suitably experienced.

6. **Assurance from Internal and External Audit**

6.1 Two of the key assurance statements the Council receives are the annual report and opinion of the Head of Internal Audit, and the external auditor's Value for Money conclusion as follows:

- The external auditor (KPMG)'s Value For Money conclusion for 2017/18 which stated:

   "We have concluded that the Authority has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

- The Head of Internal Audit (RSM) Annual Report for 2018/19, which concluded:

   "For the 12 months ended 31 March 2019, the Head of Internal Audit opinion for Gedling Borough Council is as follows:

   The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective."

"Factors and findings which have informed our opinion

- ❖ *Governance – We have taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2018/19 internal audit plan. There is a sound governance framework in place and we have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account. An audit of Corporate Governance, with a specific focus on the Council's constitution provided continued assurance over key areas of governance including the Council's effectiveness and ability to react to and reach informed decisions. Our review concluded that the Council could take substantial assurance.*

- ❖ *Risk Management – Our risk management opinion is informed by our observation of risk management systems and processes throughout the course of all audits within the Audit Plan. The Corporate Risk Register contains those risks which may impact achievement of the Council's strategic objectives, whereas the Service Risk Register documents risks identified at an operational level for each service area. The risks are discussed and reviewed quarterly by the Senior Leadership Team and a quarterly report is presented to Audit Committee. An audit of Risk Management was undertaken during 2018/19, which concluded that the Council could take substantial assurance.*

- ❖ *Internal control – We undertook 17 internal audit reviews in 2018/19 which resulted in an assurance opinion. There were 13 reviews (76 per cent) from which the Council can take substantial assurance and four reviews (24 per cent) from which the Council can take reasonable assurance. During the year we raised a total of 71 management actions across assurance and follow up reviews. Of the 71 actions raised: 23 were 'medium' priority and 48 were 'low' priority actions.*

  To further enhance the framework for risk management, governance and internal controls, management have agreed to put actions in place. We also undertook three advisory reviews, General Data Protection Regulation (GDPR) Governance, Ethical Phishing and a Strategic Fraud Risk Assessment. The Strategic Fraud Risk Assessment advisory report has yet to be reported in final."

6.2   It is important to recognise the results of the Internal Audit Annual Report where the Council has been issued with an overall positive assurance rating, with no 'high' priority actions being identified.

7.   <u>Review of Effectiveness</u>

7.1   Gedling Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

7.2   The Council is committed to the maintenance of a system of internal control which:

- Demonstrates openness, accountability and integrity;
- Monitors and reviews compliance with established policies, procedures, laws and regulations and effectiveness against agreed standards and targets;
- Monitors and reviews the effectiveness of the operation of controls that have been put in place;
- Identifies, profiles, controls and monitors all significant strategic and operational risks;
- Ensures that the risk management and control process is monitored for compliance.

7.3 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined in section 8 below.

8. **Significant Governance Issues**

INTERNAL:

8.1 During the 2018/19 financial year the following issues were identified via the Council's risk management, governance, internal audit and other internal control processes as being relevant to the preparation of the Annual Governance Statement. They are not highlighted as significant control or risk concerns, but included to highlight the Council's awareness of emerging issues through its proactive and holistic approach to governance:

- Constitutional Changes – A review group was established as part of the Dynamic Council programme and updates to a number of sections of the Constitution have been drafted and considered by the Dynamic Council Programme Board. These need further consideration by SLT before being presented to Members.

   Action: Senior Leadership Management Team – March 2020.

- Commercialisation – The Council is increasingly becoming "commercial" in its operations and robust governance arrangements have already been put in place for new service areas. This year the Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.

   Action: Senior Leadership Management Team – December 2019.

- Member Training – The Council has introduced a number of new Members as part of the district elections and an appropriate training programme will be developed.

   Action: Director of Organisational Development and Democratic Services – August 2019.

- Officer Training – A suitable training programme for staff will need to be developed following the outcome of the Constitution review, which would include training in financial management.

   Action: Senior Leadership Management Team – March 2020.

- Counter Fraud & Corruption Strategy – A new strategy is currently in development which will require approval by both the Audit Committee and the Cabinet.

   Action: Deputy Chief Executive – December 2019.

- Internal capacity/resilience – As a consequence of budget pressures, decreasing workforce, increasing workloads and customer expectations, the Council is seeing an impact on capacity

and resilience. This may have an impact on compliance with the governance framework in later years.

Watching brief: Senior Leadership Management Team.

EXTERNAL:

- External Economy – the Council remains susceptible to, but vigilant for, the external risks posed by the uncertain economic and political climate. Despite ongoing pressures and squeezes on costs, income streams and funding, effective short and medium term planning has resulted in the Council presenting a balanced budget for the period 2019 – 2024 with no significant reductions in service. The Council is well placed to deal with the ongoing pressure on income and funding streams, but there are approved budget reduction targets to be achieved and delivered during this five-year period in order for the Council to maintain its financial standing.

  Action: Senior Leadership Management Team – March 2020.

- Brexit - On 23 June 2016, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. It was scheduled to depart at 11pm UK time on Friday 29 March 2019, but parliamentary agreement on the way forward has not yet been delivered. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation, whilst also determining future funding levels for public services once the UK has left the EU.

  Watching brief: Senior Leadership Management Team.

8.2 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Karen Bradford   …………………………………………..
Chief Executive   Date: 23 July 2019

John Clarke   …………………………………………..
Council Leader   Date: 23 July 2019