

ANNUAL STATEMENT OF ACCOUNTS 2019/20

ANNUAL GOVERNANCE STATEMENT

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 (2016)*. A copy of the authority's local code is on our website at <https://www.gedling.gov.uk/council/aboutus/financeandaccounts/> or can be obtained from the Assistant Director - 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, 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 led to the delivery of appropriate cost effective services.
- 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 the Council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

3. The Governance Framework

- 3.1 Gedling Borough Council's Local Code of Corporate Governance recognises that effective governance is achieved through the 7 core 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.
 - (B) Ensuring openness and comprehensive stakeholder engagement.

Principles A and B permeate the implementation of principles C-G.

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- (C) Defining outcomes in terms of sustainable economic, social and environmental benefits.
 - (D) Determining the interventions necessary to optimise the achievement of the intended outcomes.
 - (E) Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 - (F) Managing risks and performance through robust internal control and strong public financial management.
 - (G) Implementing good practices in transparency, reporting, and audit to deliver effective accountability.
- 3.2 Good governance is dynamic process and the Council is committed to improving governance on a continuing basis through a process of evaluation and review. The Audit Committee on 19 March 2019 received the report on Gedling's "*Local Code of Corporate Governance 2019/20*" 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 objectives and our 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 Local Plan;
 - The Community Safety Partnership Strategic Plan;
 - The Annual Budget and Performance Management Framework;
 - The Medium Term Financial Plan;
 - The Treasury Management Strategy;
 - The Internal Audit Strategy;
 - The Risk Management Strategy;
 - The Corporate Equalities Scheme;
 - The Counter Fraud and 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.

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- 4.5 Gedling's corporate governance framework defines the roles and responsibilities of the full Council, Cabinet, Scrutiny and officer functions, as detailed in the Constitution, 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 counter fraud and corruption strategy, including whistleblowing 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 strategic and operational 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 Committee;
 - 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 provide robust assurance on governance and 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;

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- Formal project management guidelines;
- Business continuity planning processes;
- 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 Chief Financial 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 Chief Financial 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 2019 a Statement on "*The Role of the Head of Internal Audit*", and this covers five key principles that define the core activities and behaviours of the role. 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;

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- is a senior manager, 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. From 1 April 2020 this role is to be undertaken by a Director of BDO, who were awarded the internal audit contract for a period of four years;
- leads and directs an internal audit service that is resourced to be fit for purpose;
- is professionally qualified and suitably experienced;

6. Review of Effectiveness

6.1 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.

6.2 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.

6.3 Assurance From Executive Managers

In preparing this statement each Service Manager and Director has signed an assurance checklist. The checklist requires assurance that services are operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Service Manager to draw attention to any matters in respect of which internal controls were not working well and required a positive assurance that apart from those areas which were identified for improvement that the controls within the service had been, and are, working well. Each Service Manager gave a positive assurance. Throughout the year a small number of issues were raised regarding non-compliance with contract standing orders and financial regulations, and a new process for recording such events and targeting training is to be introduced in 2020/21.

6.4 Assurance from Internal and External Audit

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:

External Auditor (Mazars) Value For Money conclusion for 2018/19 which stated:

"we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019."

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The Head of Internal Audit (RSM) Annual Report for 2019/20, which concluded:

“For the 12 months ended 31 March 2020, 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* – A review of Corporate Governance was undertaken at the Council as part of the approved internal audit periodic plan for 2019/20. The review reported positively on the governance framework in place and concluded that the Council could take substantial assurance. This review resulted in one ‘medium’ and three ‘low’ priority findings; the medium priority finding related to a register of interest not being in place for all staff at the Council.

We have also taken into consideration the governance and oversight related elements of each of the reviews undertaken as part of the 2019/20 internal audit plan. We have observed that the Audit Committee is effective in monitoring and challenging management and holding them to account.

- ❖ *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 the Audit Committee.

An audit of Risk Management was undertaken during 2019/20, which concluded that the Council could take substantial assurance. We did not consider it necessary to raise any management actions as a result of this audit.

- ❖ *Internal control* – We undertook 16 internal audit reviews in 2019/20 which resulted in an assurance opinion. There were 12 reviews (75%) from which the Council can take substantial assurance, three reviews (19%) from which the Council can take reasonable assurance and one review of IT General Controls (6%) from which the Council can take partial assurance.

The IT General Controls review resulted in three high, three medium and six low priority actions being raised and agreed with management.

During the year we raised a total of 69 management actions across assurance and follow up reviews. Of the 69 actions raised: three (4%) were ‘high’ priority, 31 (45%) were ‘medium’ priority and 35 (51%) were ‘low’ priority actions.

An advisory review of the Council’s Flexible and Lone Working arrangements was undertaken, and suggestions were provided to management to consider.

- 6.5 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 7 below.

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7 Significant Governance Issues

- 7.1 The control framework described above facilitates the identification of any areas of the Council's activities where there are significant weakness in the financial controls and/or governance arrangements of the management of risk.

As detailed in paragraph 6 above the annual review of the effectiveness has been completed and has not highlighted any significant control or risk management concerns. The Head of Internal Audit concluded in the Annual Internal Audit Opinion that the organisation has an adequate and effective framework for risk management, governance and internal control.

7.2 Covid-19 Pandemic

The Annual Governance Statement assesses governance in place during 2019/20 so for the majority of the year our governance was unaffected by the impact of Covid-19. Covid-19 has impacted on governance during March 2020 and whilst the impact at the end of the 2019/20 financial year was not material, its ongoing impact will be significant and raises issues that will need to be addressed in 2020/21. A full report on the Council's response to Covid-19 was considered by Cabinet on 18 June 2020 which demonstrates the effectiveness of governance arrangements during the response phase.

The key governance issues arising and actions are summarised below:

Council Decision Making and Meetings

When setting up the Incident Management Team structure in response to the Covid-19 pandemic, it was clear at an early stage that rapid decisions would need to be made to close facilities and suspend services in response to changes in government policy or staffing issues. In order to ensure established governance arrangements were maintained and Constitutional and legislative requirements complied with, an emergency decision making process was adopted.

Whilst the Constitution contains a delegation to the Chief Executive to make urgent decisions, given the magnitude of the potential impact of those decisions both in relation to the community and the Council's finances and to ensure transparency in decision-making, it was agreed that the Leader would make all Covid-19 response related decisions after consideration of a written report. Decisions were published on the Council's website in the usual way.

Previously the Council has not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March, Council, Cabinet and Committee meetings had to be cancelled until further notice.

Work was carried out to enable remote meetings to be supported on the Microsoft Teams platform, which included practical guidance and instructions for Members. The Procedural Rules included in the Constitution apply to remote meetings in the same way as they do for other meetings of the Council; however additional Rules for holding remote meetings, were agreed by the Chief Executive in consultation with the Mayor on 10 May. In addition a schedule of meetings was also agreed on 12 May to enable meetings to recommence with effect from June.

In conclusion the arrangement for decision making have remained effective following the onset of Covid-19.

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Impact on Service Delivery

At the onset of the pandemic it was quickly recognised that effective Business Continuity Planning was vital to ensuring the continued operation of key services. A review of Business Continuity Plans (BCPs) was an outstanding action on the Council's corporate risk register which was due for completion by September 2020. In the first week in March, to ensure any gaps in Business Continuity Plans were quickly addressed, a Business Continuity Impact Assessment template was adopted and completed by all services, together with the identification of critical services and staff. Whilst there is still an outstanding action on the risk register to ensure a full suite of BCPs covering all business continuity risks, this represents an improvement in the governance arrangements. Enabling home working involved a rapid deployment of guidance and equipment and ensured there was no compromise to IT security.

Financial Issues

Whilst the financial impact of Covid-19 at the end of 2019/20 was not material, the ongoing impact is expected to be significant and the impact of an expected economic downturn adds further to the uncertainty. For 2020/21, at the time of writing, it is estimated that the financial cost of additional budget pressures and reductions in income will be around £4m, and after accounting for emergency government funding received of £1.2m to date, it is estimated that up to £2.8m will be required from Reserves or other spending reductions in order to balance the budget. This will have a knock on impact on achieving a sustainable Medium Term Financial Plan up to 2024/25 which is currently predicated on the availability of reserve balances to support the budget whilst the Council's planned efficiency programme is delivered.

A revised Medium Term Financial Plan will be presented to Cabinet by September 2020. This will consider key areas of risk, being income streams, including Business Rates and Council Tax collection, the capital programme and its funding and, the announced delays for a further year of the national reviews of Business Rates and Fair Funding. The timing of the Comprehensive Spending Review remains uncertain. This is important as it will determine the overall funding available to the local government sector. This complex economic environment is further compounded by the uncertainty that BREXIT creates and the impact of the deal that is eventually negotiated. The Medium Term Financial Plan will be considered in the context of the Gedling Plan (see below) to ensure available resources are effectively aligned to priorities and the delivery of sustainable outcomes.

Future Service Impacts

The Council's Covid-19 Reset Strategy was considered by Cabinet on 18 June 2020. The Strategy recognises that there will be an impact on the delivery of the Gedling Plan with the need for a review to ensure that it remains fit for purpose and incorporates any new work streams required as a result of Covid-19 impacts, ensuring the Council does not return to 'normal' but strives to 'build back better'. The Gedling Plan is a key aspect of the Council's governance framework and essential in defining sustainable outcomes in terms of economic, social and environmental benefits. The work streams to deliver the Reset Strategy will seek to address the inequalities highlighted by Covid-19 and retain the positive carbon reduction benefits.

7.3 Action Plans

7.3.1 Review of Progress in 2019/20

The 2018/19 Annual Governance Statement did not identify any significant control or risk issues but recognised some emerging issues, through its proactive and holistic approach to Governance. The progress is detailed below:

- Constitutional Changes – A review group was established to update a number of sections of the Constitution in 2019/20.

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This work is still ongoing. The updated sections have now been drafted and will need further consideration by SLT before being presented to Members.

Updated Action: Senior Leadership Team – March 2021.

- Commercialisation – *The Council will investigate the possibility of introducing a commercial housing development operation and appropriate governance issues will need to be identified.*

This work is ongoing and the potential options for a commercial housing development operation and appropriate governance issues will be considered by SLT before being presented to Members

Updated Action: Senior Leadership Team – December 2020.

- 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: Completed 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.*

The training programme commenced in 2019/20, covering Local Government Governance Basics; Reporting and Decision Making; Contract Standing Orders and Procurement; Contracts Risk Management; Members Code of Conduct. Further training will be delivered during 2020/21, to include: Financial Regulations, Counter Fraud, Anti-Money Laundering; Whistleblowing; Officers Declaration of Interests.

Updated Action: Senior Leadership Team – March 2021.

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

Action: Completed February 2020.

7.3.2 Actions 2020/21

Based on our review of the Governance Framework, the following issues will be addressed in 2020/21:

- Sustainable Medium Term Financial Plan - A review of the Medium Term Financial Plan will be presented to Cabinet to reflect the impact of Covid-19 and consider the emerging risks of an economic downturn and uncertainties of future local government funding.

Action: Senior Leadership Team – September 2020

- Gedling Plan - A review of the Gedling Plan will be presented to Cabinet to reflect the impact and risks arising from Covid-19.

Action: Senior Leadership Team – September 2020

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- Efficiency Programme - A review of the current approved efficiency programme will be completed to ensure value for money is secured: to incorporate the new efficiency target approved by Council in March 2020; the impact of emerging budget pressures e.g. pay award 2020/21; the delivery risks of existing initiatives.

Action: Senior Leadership Team – September 2020

- Officer Declaration of Interests – The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that will be implemented in 2020/21.

Action: Chief Financial Officer and Monitoring Officer – December 2020

- Brexit - The United Kingdom left the European Union on 31 January 2020 and entered a transition period which will last until 31 December 2020 and new rules will come into place from 1 January 2020/21. There is considerable uncertainty regarding the future rules and any impact on the economy and how this might impact on funding levels and demands for public services.

Watching brief: Senior Leadership Management Team.

- 7.4 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.

Mike Hill
Chief Executive

Date:

John Clarke
Council Leader

Date: