

Report to Audit Committee

Subject: Draft Annual Governance Statement 2021/22

Date: 17th September 2024

Author: Chief Finance Officer and s151 Officer

1. Purpose

To inform Members of the proposed Annual Governance Statement 2021/22.

Recommendation(s)

Note the draft Annual Governance Statement 2021/22 and provide any comments for inclusion in the final version which will be presented to the Audit Committee with the Annual Statement of Accounts 2021/22 later in the financial year.

2. Background

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement (AGS).

The Annual Governance Statement for 2021/22 was originally reported to and approved by Audit Committee on 28 June 2022. Following the identification of a significant fraud a new paragraph has been added to the Annual Governance Statement for 2021/22 at paragraph 7.2.5.

3. Proposal

Following the review of the system of internal control and external audit of the draft Statement of Accounts for 2021/22 it is proposed that the AGS for 2021/22 is noted and that comments be provided for inclusion in the final version of the AGS to be presented to the Audit Committee for approval with the Annual Statement of Accounts 2021/22 later in the financial year.

4. Financial Implications

There are no financial implications arising from this report.

5. Legal Implications

The Annual Governance Statement is a statutory requirement for authorities under the Accounts and Audit Regulations 2015, which requires authorities each financial year to conduct a review of the effectiveness of their systems of internal control and prepare an annual governance statement in accordance with proper practices in relation to accounts.

6. Equalities Implications

None arising directly from this report.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report.

8. Appendices

Appendix 1 – Annual Governance Statement 2021/22

Statutory Officer Approval

Approved by: Chief Financial Officer

Date: 9th September 2024

Approved by: Monitoring Officer

Date: 9th September 2024

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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 local 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 Director of Corporate Resources, 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 2022 and up to the date of approval of the statement of accounts.

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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.

(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 a 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 16 March 2021 received the report on Gedling's "*Local Code of Corporate Governance 2021/22*" which set out in detail how the Council demonstrates that its governance structures comply with these seven core principles. An end of year review considered by Audit Committee in March 2022 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.

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- 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 Plan;
 - The Annual Budget and Performance Management Framework;
 - The Financial Strategy;
 - The Treasury Management Strategy;
 - The Internal Audit Strategy;
 - The Risk Management Strategy;
 - The Equality and Diversity Policy;
 - 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.
- 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 Heads of Service;
 - 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;

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- 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;
- Formal project management guidelines;
- Business continuity planning processes;
- Adherence to good employment practices;

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- 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 and Procurement 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 covered five key principles. The Council can demonstrate how it conforms to these governance requirements as the Head of Internal Audit:

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- Objectively assesses the adequacy and effectiveness of governance and management of risks, giving an evidence based opinion on all aspects of governance, risk management and internal control;
- champions best practice in governance and comments on responses to emerging risks and proposed developments;
- is Gurpreet Dulay, a Partner of BDO UK, and he (or his BDO representatives) have 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 appropriately, sufficiently and effectively;
- 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 Head of Service 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 Head of Service 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 Head of Service gave a positive assurance with no material risk issues raised. An emerging issue relating to a challenge received of possible non-compliance with

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legal responsibilities in the area of Public Protection income was noted and is under review and assessment.

6.4 Assurance from Internal and External Audit

Two of the key assurance statements the Council receives, and the external auditor's review of Value for Money arrangements and the annual report and opinion of the Head of Internal Audit:

External Auditor (Mazars) Value for Money arrangements:

The Code of Audit Practice issued by the National Audit Office requires External Audit to consider if the Council has proper arrangements for securing economy, efficiency and effectiveness in its use of resources, reporting by exception where they have identified significant weakness in those arrangements.

The external auditor is required to report under three specified criteria:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks;
- Improving economy efficiency and effectiveness – How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

For the year ended 31 March 2021 the External Auditor's commentary on Value for Money arrangements was positive, concluding that there were no identified risks of significant weakness, or any actual significant weakness, in the Council's arrangements.

The Head of Internal Audit (BDO) Annual Report for 2021/22, concluded:

*“Overall, we are able to provide **moderate** assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming our view, we have taken into account that:*

- *Two of the reviews undertaken this year were advisory (Risk Management and IT Architecture). These reviews do not produce audit opinions however, both were broadly positive with no material concerns identified;*
- *Design of controls: Substantial assurance was provided on two of five assurance audits and moderate assurance opinions were provided in three areas;*

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- *Operational effectiveness of controls: Substantial assurance was provided on two of five assurance audits. A moderate opinion was provided for three reviews;*
- *Substantial assurance was reported in respect of both the design and operational effectiveness of the controls in the key areas of Main Financial Systems (MFS) and Housing Benefits which are both areas of significant importance and activity for the Council;*
- *Management has responded, in the majority of occasions, positively to reports issued and plans have been developed to address the recommendations raised. We have noted however that there is frequently a delay in management response to audit reports but this is not Council wide and more specific to certain departments;*
- *Three of the audits (Environmental Health Enforcement, Procurement and Contract Management, and Sustainable Environment) are still in draft and have not yet been finalised. These will be reported to the September Audit Committee, and the opinions given in these areas does not alter our overall audit opinion;*
- *The Council expect to receive external audit approval of their annual accounts for 2021/22 in November 2022 and therefore these are not yet finalised. In our discussions with external audit and management, we do not have concerns about the financial position of the Council. The Council's General Fund balance as of April 2022, as reported within the Medium Term Financial Strategy to Cabinet in February 2022, was estimated at £4,761,000 which includes S31 Grant for the funding of the 2021/22 business rates reliefs;*
- *Overall, an opinion of **moderate assurance**, which is our second highest level of assurance, is a positive achievement in another challenging year for local government*
- *It should be noted however that our audits are identifying some common themes that do raise concerns. Particularly governance and performance monitoring. In addition, in some service areas we are experiencing instances of long waits for management responses to draft reports which is impacting on our ability to deliver the internal audit plan in a timely manner. This has partly been due to staffing issues and it is hoped this will now be resolved now that key posts have been filled. If these issues are not managed, there is potential for the overall assurance level internal audit opinion to weaken next year”.*

The Head of Internal Audit's Annual Report also details evidence of BDO's own compliance with the Public Sector Internal Audit Standards against which they are externally assessed every five years. This provides assurance that the internal audit provision is effective.

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- 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.

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, 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 **Significant Issues Arising 2021/22**

7.2.1 **Covid-19 Pandemic**

The first impact of Covid-19 on our governance arrangements emerged in March 2020, had a significant impact throughout 2020/21 and continued into 2021/22 with the emergence of the Omicron variant. Whilst the direct impact of Covid-19 is currently lessening in 2022/23 it continues to impact on service delivery with a backlog of work to deliver the Gedling Plan still outstanding.

The key governance issues arising from the pandemic have been effectively addressed as demonstrated through regular reports to Cabinet on the Council's response to the pandemic and the impact on the Gedling Plan.

The key governance issues arising and actions to address these are summarised below:

Council Decision Making and Meetings

During 2020/21 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

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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. These arrangements continued in 2021/22 proportionate to the ongoing Covid-related impacts.

Previously the Council had not had the power to hold meetings remotely and therefore when Covid-19 restrictions were imposed in March 2020, Council, Cabinet and Committee meetings had to be cancelled until further notice. 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 2020. Virtual meetings recommenced in June 2020 and continued until the High Court ruled that virtual council meetings could not lawfully take place after 6 May 2021 and suitable arrangements were put in place to ensure a safe return in accordance with social distancing requirements with appropriate attendance levels to ensure effective decision making continues.

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

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 new Business Continuity Policy and Business Continuity Impact Assessment guidance was formally approved by Cabinet and a full suite of Business Continuity Plans covering all business continuity risks was completed for the whole organisation during 2020/21. This represented an improvement in the governance arrangements. Covid specific risk registers were completed and reviewed throughout 2020/21, continuing in 2021/22.

Covid related health and safety risk assessments were implemented across the organisation to support changes to service provision throughout all stages of the pandemic including for the covid secure reoccupation of buildings.

Enabling home working involved a rapid deployment of agile working guidance and equipment and ensured there was no compromise to IT security or the safety of staff. Investment in IT continued in 2021/22 to ensure all office staff were able to work in fully flexible way and be responsive to emerging risks as they arise.

Formal emergency planning arrangements including command structures and communication arrangements were in place throughout 2020/21 and 2021/22 providing sound controls to support the effective response to the rapidly changing circumstances through the various stages of lockdown. The command structures were finally stood down in March 2022 following the

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success of the vaccine programme in reducing the impact of the virus in the community. A review of Covid-19 response will be completed in 2022/23 by the Strategic Resilience Group to ensure lessons learned feed into future emergency planning arrangements.

Financial Impact

The Covid-19 pandemic had a material impact on the finances of the Council during 2020/21 which continued in 2021/22 with the total direct cost to the Council not funded by Government being in the region of £1.1m. Some of the direct costs are expected to continue in the medium term.

A revised Medium Term Financial Plan incorporating the ongoing impact of Covid-19 related risks and assumptions was presented to Council in March 2022 together with the revised Gedling Plan ensuring available resources are effectively aligned to priorities and the delivery of sustainable outcomes. This included a review of the current efficiency programme and the approval of a new efficiency programme for delivery over 2022/23 to 2024/25 to secure a sustainable financial position and value for money. The successful delivery of the efficiency programme is a key challenge for the Council and is closely monitored to identify any emerging risks at the earliest opportunity.

Future Service Impacts

The Council's Covid-19 Reset Strategy was considered by Cabinet on 18 June 2020. The Strategy recognised the 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 and has now been fully reviewed and approved by Council both in March 2021 and March 2022 ensuring actions to address the ongoing impacts of Covid-19 are embedded within it, including actions that have been deferred due to reduced capacity arising from the required Covid response work.

The planned review of the Risk Management Strategy was deferred due to the impact of the Covid-19 response work and will now be completed in 2022/23. Risk Management processes continued to be effective throughout 2021/22 with regular updates of the Risk Management Scorecard being considered by Audit Committee and Overview and Scrutiny Committee. Other deferred actions related specifically to governance arrangements are noted in the Action Plan below.

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7.2.2 Management Arrangements and Workforce Capacity

The Council approved a review of the senior management structure as part of its efficiency programme with a phased implementation timescale recognising the need to balance the requirements of delivering efficiencies with appropriate management capacity to ensure effective governance and the continued delivery of strategic objectives. Phases 1 and 2 were delivered by the end 2020/21 and phase 3 commenced in 2021/22, with the remaining services to be reviewed early in 2022/23.

It was recognised at the outset that new ways of working will be required to ensure successful delivery and there is potential for some capacity reductions to arise during this period of change which may impact on governance compliance and service planning which will require appropriate prioritisation to ensure Gedling Plan delivery is aligned to resources and to maintain staff morale.

As detailed in paragraph 7.2.1 and 7.2.3, the risk to workforce capacity is further exacerbated by the impact of Covid-19 pandemic and resulting backlogs and the emerging cost of living of living crisis.

The Head of Internal Audit's opinion detailed at paragraph 6.4 identifies a concern about the timeliness of management responses to draft reports and the implementation of agreed audit actions. Staff capacity issues are acknowledged as a potential reason for this arising which need to be addressed.

7.2.3 Economic Downturn and Cost of Living Crisis

The aftermath of the Covid-19 pandemic and post-Brexit supply side shortages and labour shortages, together with Russia's invasion of Ukraine and subsequent Western sanctions, have created a 'perfect storm' culminating in an adverse impact on the economy, dampening growth with inflation rising significantly above the Bank of England target levels which is now expected to remain elevated well into 2023.

The impact of economic downturn and resulting so called 'cost of living crisis' emerged towards the end of 2021/22. The Annual Governance Statement assesses governance in place during 2021/22 so for the majority of the year our governance was unaffected by the impact of cost of living crisis. Whilst the impact at the end of the 2021/22 financial year was not material, its ongoing impact will be significant and raises issues that will need to be addressed in 2022/23.

Key potential risk issues will be monitored via the established Risk Management process and include:

- a direct impact on service delivery and workforce capacity arising from increased service demand pressures and new initiatives to support vulnerable households, for example, implementation of the government's Energy Bills Rebate Scheme and the Council's own Council Tax Hardship Relief Scheme;

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- Interrupted supply chains directly affecting service delivery;
- Budget pressures due to rising inflation for example pay pressures, fuel and utilities, reduced fees and charges income.

A mid-year review of the Medium Term Financial Plan will be required to consider the impact of the economic downturn on the financial sustainability of the Council. Key risk issues will be considered, including the impact of rising prices e.g. pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressure from vulnerable households. The review will form an important aspect of financial management to inform the 2022/23 budget process to secure a sustainable financial position and ensure the successful delivery of the Gedling Plan continues to be supported.

7.2.4 The CIPFA Financial Management Code

CIPFA has introduced the Financial Management Code (FM Code) 2019, which sets out for the first time, the standards of financial management for local authorities. Adoption of the Code was required from 1 April 2021 and was included in the Annual Governance Statement (AGS) Action Plan for 2021/22. A self-assessment providing assurance that the standards of the FM Code are being met was considered by Audit Committee in September 2021 and some improvement actions were noted.

The implementation of actions is progressing well with the majority being implemented and outstanding actions are carried forward in the AGS Action Plan for delivery in 2022/23 as detailed in the paragraphs below, including for example, implementation of the Officer Declarations of Interest process.

It should be noted that compliance with the FM Code is an ongoing requirement and new actions to both maintain and improve standards will be a normal feature of securing effective financial management and continuous improvement.

7.2.5 Fraudulent Activity

The financial impact of fraudulent activity identified in July 2022 has been quantified. Whilst a significant sum remains on the Council's balance sheet and is being dealt with separately, an amount has already been charged to revenue in previous years, and subsequently to the General Fund. This element is the subject of an insurance claim.

Further details cannot be disclosed at this point due to ongoing criminal investigations and legal proceedings.

7.3 Action Plans

7.3.1 Review of Progress in 2021/22

The 2020/21 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which

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whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2021/22 AGS Actions:

- 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 was delivered during 2021/22 including Fraud Awareness Training. Due to the ongoing impact of Covid-19 response work, the adoption of the Constitution was completed in March 2022 and associated training will now take place in 2022/23 to include Financial Regulations, Contracts and Procurement Rules and the development of Fees and Charges.

Updated Action: Chief Financial Officer and Monitoring Officer – March 2023.

- Officer Declaration of Interests – *The review of the Counter Fraud and Corruption Strategy identified improvements to the process for officer declaration of interests that was due to be implemented in 2021/22 but has been deferred due to the impact of the Covid-19 response work.*

Updated Action: Chief Financial Officer and Monitoring Officer – March 2023

- 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 2021. 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. Actions to ensure compliance with the changes in legislation have been implemented. Monitoring throughout 2021/22 was completed and will be ongoing in 2022/23.

- Financial Management Code – *Completion of a self-assessment demonstrating compliance with the Financial Management Code.*

Action: Chief Financial Officer/Senior Leadership Team – Completed September 2021

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- Sustainable Medium Term Financial Plan (MTFP) – *Review and monitoring of MTFP risks and assumptions to determine if further action is required to secure value for money and a sustainable position: the delivery of the efficiency programme and performance of commercial operations; review of financial settlement and funding streams; the ongoing impact of Covid-19 including the emerging risks of an economic downturn.*

Action: Chief Financial Officer/Senior Leadership Team – Completed February 2022

- Workforce Capacity – *Phase 2 of the senior management restructure was completed in 2020/21 reducing the number of senior roles to deliver efficiency savings. A further phase of restructuring is due to be completed in 2021/22 to deliver further efficiencies. It is recognised that new ways of working will be required and there is potential for some capacity reductions to arise during this period of change and service planning will require appropriate prioritisation to ensure Gedling Plan delivery and to maintain staff morale.*

Watching brief: Senior Leadership Management Team completed

- Constitution Review – *The revised Constitution to be finalised and adopted by Council and training to be delivered.*

Action: Senior Leadership Team/Monitoring Officer – Completed March 2022

- Equality and Diversity Policy and Action Plan – *A revised Equality and Diversity Policy and an Equality Framework and Action Plan was approved by Cabinet for public consultation in 2020/21. Following consultation, the final policy and action plan will be adopted with implementation to commence during 2021/22.*

Action: Director of Corporate Resources – Completed October 2021

- Risk Management Strategy and Training – *A review of the Risk Management Strategy and training to be delivered to officers and key Members was planned for 2021/22 but has been delayed due to capacity issues arising from the ongoing impact of covid and implementation of the senior management restructure will now be completed in 2022/23.*

Updated Action: Director of Corporate Resources – March 2023

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- Emerging Government Legislation – *A review of emerging key legislation to identify the impact on service delivery and resource requirements, including the Environment Act and Planning Regulations.*

Watching brief: Senior Leadership Management Team completed; ongoing in 2022/23

7.3.2 Actions 2022/23

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2022/23. Whilst not all actions represent significant issues, all planned governance actions are included to provide a proactive and holistic approach to Governance:

- Sustainable Medium Term Financial Plan – *A mid-year review of the Medium Term Financial Plan will be presented to Cabinet to consider the emerging risk of the economic downturn, increasing inflationary pressures and supply chain issues arising from the aftermath of the Covid-19 pandemic and Brexit, and the war in Ukraine. To consider the impact of rising prices, including pay pressures, fuel and utilities, the potential adverse supply impacts on service delivery, and increasing service demand pressures from vulnerable households. A budget consultation will be completed during the summer to inform the development of the future Gedling Plan 2023-27 to ensure service priorities are aligned to the resources available.*

Action: Chief Financial Officer/Senior Leadership Team – Autumn

- Workforce Capacity – *To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Gedling Plan and to governance compliance. Prioritise Gedling Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by: Covid-19 service impacts and the resulting backlog of service plan actions; implementation of the management restructure to deliver required efficiency savings requiring new ways of working to ensure success resulting in capacity reductions during this period of change; and the cost of living crisis increasing demands to support for vulnerable households.*

Action: Senior Leadership Management Team - Ongoing

- Emergency Planning Arrangements and Business Continuity Plans – *A review of emergency planning arrangements to incorporate lessons learned from the Covid-19 pandemic response and an update of all Business Continuity Plans to ensure they are fit for purpose for all business continuity risks. To include emergency planning training, in particular related to cyber risk.*

Action: Head of Governance and Customer Services - March 2023

ANNUAL STATEMENT OF ACCOUNTS 2021/22

ANNUAL GOVERNANCE STATEMENT

- Audit Committees in Local Authorities – *To review and adopt: the principles of CIPFA’s Position Statement: Audit Committees in Local Authorities, which was published early in 2022/23 and aims to ensure that effective audit committee arrangements are in place in order to meet statutory responsibilities; the latest recommendations regarding independent audit committee members being proposed by Government following the Redmond Review and the introduction of the new Audit Reporting and Governance Authority. To determine and deliver appropriate training for committee members.*

Action: Chief Financial Officer – March 2023

- Financial Management Code Compliance Update – *Ongoing monitoring of compliance with the Financial Management Code and implementation of planned actions.*

Action: Chief Financial Officer – March 2023

- Internal Audit Actions Implementation – *to implement system improvements to support the monitoring and timely implementation of internal audit actions by management.*

Action: Head of Finance and ICT - September 2022

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: