

ANNUAL STATEMENT OF ACCOUNTS 2024/25

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 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 Chief Finance Officer, 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 2025 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 19 March 2024 received the report on Gedling's "*Local Code of Corporate Governance 2024-25*" 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 on the 18 March 2025 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 Annual Plan);
 - 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 Assistant Directors;

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- 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;
- Formal project management guidelines;

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- 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 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;

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- 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:

- 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 Assistant Director and Director has signed an assurance checklist. The checklist requires assurance that services are

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operating in compliance with the Council's policies, procedures and practices and with the internal control and governance assurance framework. The checklist asked each Assistant Director 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 Assistant Director gave a positive assurance with no material risk issues raised.

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 2025 The Head of Internal Audit (BDO) Annual Report and Annual Statement for 2024/25, concluded:

- *Overall, we provide Moderate Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, that controls are being applied consistently across various services.*
- *We completed a total of nine reviews (eight assurance audits and one advisory review). The advisory review for to EDI was an advisory review where a formal audit opinion was not provided.*
- *For the eight assurance audits, two were rated Substantial and six Moderate in the design of the controls. One assurance audit was rated as Substantial, five were Moderate and one was Limited in their operational effectiveness. These ratings are similar to those in the prior year.*

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- *There has been a continued engagement with internal audit by the Senior Leadership Team (SLT), demonstrating a commitment to enhancing internal controls, governance and risk management processes. There was appropriate levels scrutiny of our internal audit work, including robust discussions about our reports in Audit Committee meetings. This is despite a backdrop of increasing challenges on resources for local authorities, compounded by other demands that have impacted capacity of staff (such as managing the electoral pressures of a General Election). Staff have consistently provided our Internal Audit Team with availability to support the delivery of our reviews.*
- *The Council had a restructure of its SLT and governance model in 2024/25, widening the management team and creating roles to support its transformation programmes and operational management. We have met with the SLT, Assistant Directors and Senior Managers individually throughout the year and collectively to agree our Internal Audit Plan for 2025/26.*
- *As with many other local authorities, there has been a continued challenge to sign off the Council's financial accounts for prior years. The accounts for 2022/23 and 2023/24 have been published with a disclaimed audit opinion, where an audit certificate could not be issued. This partly relates to the historic challenges that the Council has had for the control gaps in its main financial system. Our internal audit work continues to assess key financial controls as part of our core assurance.*

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.

7. Significant Governance Issues 2024/25

- 7.1 The control framework 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.

7.1.1 Management Arrangements and Workforce Capacity

The Council implemented a 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.

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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 the Annual Plan delivery is aligned to resources and to maintain staff morale.

7.1.2 Economic Growth / Cost of Living Crisis

The 2024/25 balance of risk to economic growth in the UK was still to the downside, with significant risks related to: labour supply shortages proving more to challenge to economic activity; inflationary pressures not being effectively controlled by monetary policy interventions; UK/EU trade agreements being effective.

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

7.1.3 The CIPFA Financial Management Code

CIPFA 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 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 the majority being implemented in 2022/23 and outstanding actions implemented in 2023/24 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.

7.1.4 Fraudulent Activity

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A sophisticated fraud which took place over a number of decades, conducted by an individual with key inside knowledge of the council's financial systems using sophisticated techniques was discovered in July 2022.

Upon discovery of the fraud the individual was suspended and subsequently dismissed following a thorough investigation by the Council and its internal auditors (BDO), the Council co-operated with the relevant bodies and a prosecution commenced in 2024 with the individual being sentence to 5 years imprisonment in October 2024.

The financial impact of the fraudulent activity has been quantified as £934,343. During 2022/23 £327,750 was recovered from the Nottinghamshire Local Government Pension Scheme leaving a balance of £606,593 which is currently still being pursued via an insurance claim. Nottinghamshire Police Authority are also pursuing a claim under the Proceeds of Crime Act 2002. At the time of writing the AGS we have not had an update from the Police or the Insurance company.

Following discovery of the fraud the Council have conducted mandatory training for all staff to be undertaken every two years in fraud awareness and commissioned an extensive internal audit and implemented numerous changes in its processes. Recent changes in legislation have also put more measures in place to prevent this type of fraud from happening in the future.

7.2 Action Plans

7.2.1 Review of Progress in 2024/25

The 2024/25 Annual Governance Statement (AGS) identified the following control or risk issues and some issues deferred from the previous year which whilst not significant were included, through its proactive and holistic approach to Governance. The progress is detailed below:

2024/25 AGS Actions:

- Sustainable Medium Term Financial Plan – *A mid-year review of the Medium Term Financial Plan was presented to Cabinet to consider the emerging risk on increased service delivery costs and inflation. 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 new round of efficiency savings were identified and approved for delivery.*
- **Action: Chief Finance Officer/Senior Leadership Team – Completed March 2025 remains an Ongoing Action.**
- Workforce Capacity – *To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Gedling Plan and to governance*

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compliance. Prioritise Gedling Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by increased service demand and a shortage of professionals in the job market, with reliance on high cost Interim staffing arrangements, 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 is still increasing demands to support for vulnerable households.

Action: Senior Leadership Team - Ongoing

- Emergency Planning Arrangements and Business Continuity Plans – *A review of emergency planning arrangements 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. Revise strategic policy, corporate business continuity plan and update response structures.*

Action: Deputy Chief Executive – Business Continuity plans updated December 2024 approval and implementation in 2025/26. Emergency Planning July due 2025.

- 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 Finance Officer – Ongoing Independent Member on the Audit Committee - Completed.

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

Action: Chief Finance Officer – Ongoing

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

Action: Chief Finance Officer - Ongoing

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- Risk Management Strategy – Building on audit recommendations and the new risk management strategy approved in 2023/24, implement risk management and reporting under the new process to ensure risks are considered, analysed, monitored and reported effectively.

Action: Chief Finance Officer & Interim Director of Corporate Resources – Completed.

- Procurement Strategy – *The new Procurement Act came into force in February 2025 and includes a number of new areas that need to be implemented. A revised procurement strategy will be required in order to ensure we are operating within the legislative framework.*

Action: Deputy Chief Executive & Chief Finance Officer – Completed.

- Governance – Introduce and implement a new governance structure including introducing governance boards to better and more effectively manage activity across the authority.

Action – Director of Transformation and Deputy Chief Executive – Completed.

- Fees & Charges – Review the fees and charges process and introduce a new charging policy.

Action – Chief Finance Officer - Completed

7.2.2 Actions 2025/26

Based on our review of the Governance Framework, the following control and risk issues will be addressed in 2025/26. 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 a new round of efficiency savings to ensure a balanced budget in the medium term.*

Action: Chief Finance Officer/Senior Leadership Team – Ongoing

- Workforce Capacity – *To monitor the emerging risk of restrictions on workforce capacity to the delivery of the Annual Plan and to governance*

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compliance. Prioritise Annual Plan actions to ensure alignment with resources available and to maintain staff morale. Workforce capacity is being impacted by increased service demand and a shortage of professionals in the job market, with reliance on high cost Interim staffing arrangements, 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 continuing cost of living crisis is still increasing demands to support for vulnerable households.

Action: Senior Leadership Team – Ongoing

- Good Governance – Undertake a review on Governance arrangements to align the annual governance review and the Annual Governance Statement in 2025/26 with the new CIPFA framework “Delivering good governance in local government”

Action: Senior Leadership Team – March 2026

- Governance Arrangements – Complete the new LGA “Improvement and Assurance Framework Self-Assessment Tool” to evaluate the Councils governance arrangements.

Action; Senior Leadership Team – March 2026

- Emergency Planning Arrangements – *A review of emergency planning arrangements. To include emergency planning training, in particular related to cyber risk.*

Action: Deputy Chief Executive – October 2025

- 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 Finance Officer – Ongoing

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

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Action: Chief Financial Officer – March 2026

- Anti- Fraud Strategy and Whistleblowing Policy – *Review, revise and refresh the anti- fraud strategy and whistle blowing policy in line with audit recommendations.*

Action: Chief Finance Officer – September 2025

- External Funding – Implement a review and update the Councils External funding policy and guidance, ensuring that any external funding applied for meets the priorities of the Council and is a deliverable within the Annual Plan.

Action: Deputy Chief Executive – December 2025

- 7.3 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: