

Annual Governance Statement

Introduction

Gravesham Borough Council (GBC) is responsible for undertaking its business in accordance with the law and proper standards. In doing so, it needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this overall responsibility, GBC has established its [Code of Corporate Governance](#) which sets out a commitment as to how the council carries out its functions; the procedures, processes and control environment by which it undertakes to deliver its corporate objectives.

Approved by Full Council and adopted into the council's Constitution, the Code of Corporate Governance is designed to be consistent with the principles of the CIPFA/SOLACE Framework; [Delivering Good Governance in Local Government](#).

Assessed against the council's adopted Code of Corporate Governance, in compliance with section 6(1)(a) of the Accounts and Audit Regulations 2015, this Annual Governance Statement (AGS) presents the key themes and findings of an annual review into the effectiveness of the council's governance framework and system of internal control in 2020-21. In its delivery, GBC has equally demonstrated its compliance with the requirements of section 6 (1)(b) of the Accounts and Audit Regulations 2015 in relation to the presentation of an AGS for the authority in 2020-21.

Definition

The governance framework comprises the systems, processes, cultures and values that direct and control the council, and its activities, through which it accounts to, engages with, and leads the community. It enables the council to monitor the achievement of its corporate objectives and to consider whether those objectives led to the provision of appropriate, cost-effective services that delivered positive outcomes for the local community.

The system of internal control is a significant part of that framework, 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 the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively, and economically.

The governance framework outlined in this AGS has been in place at GBC for the year ended 31 March 2021.

Environment

The council's policy-setting and decision-making process is presented in its Constitution, with Full Council identified as the ultimate determining body. Cabinet is responsible for most day-to-day decisions within the policy framework, ultimately subject to scrutiny by the Overview Scrutiny Committee. The Constitution also details the council's internal financial control framework, including; comprehensive contract procedure rules, financial procedure

rules and the scheme of delegation. Essential to the discharging of the internal control environment are these appointed roles:

- Chief Executive: a full-time appointment and the Head of Paid Service, with overall responsibility for the management and coordination of council employees. The role is required to report to Council as appropriate with regard to the way in which the overall discharge by the council of its different functions is coordinated.
- Section 151 Officer: the s151 officer is the Director (Corporate Services) and the Deputy Section 151 Officer is the Assistant Director (Corporate Services). The Section 151 Officer has completed a specific 'Chief Financial Officer' assurance statement which sets out how the council has complied with CIPFA's [Role of the Chief Financial Officer in Local Government](#) in 2020-21, as well as how it has met its Section 151 obligations.
- Monitoring Officer: ensures the lawfulness and integrity of the council's decision-making processes, supports the work of the Standards Committee and the investigation and reporting on issues that embrace all aspects of the authority's governance.

Action: The Constitution is an integral component of the council's governance framework. In order to ensure it remains up to date in regards to legal expectations and accurately reflective of the council's governance structure, completion of the next phase of its scheduled review will form an AGS recommendation for 2021-22, inclusive of key activities such as the implementation of revised Contract Procedure Rules.

Vision

We have a corporate vision in place for the borough. As a clear statement of the organisation's purpose, to work towards this vision we have established a Corporate Plan 2019-23. Designed on an extensive evidence base including; a community consultation, a community needs study, and the primary manifesto aims of the elected administration, to provide a framework for the council's activities the Corporate Plan has established three clearly defined strategic objectives, each supported by a series of policy commitments:

- People: a proud community; where residents can call a safe, clean borough their home
- Place: a dynamic borough; defined by a vibrant and productive local economy taking advantage of growth in the area, supported by its strong and active community
- Progress: an entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment.

The Corporate Plan was adopted into the our Policy Framework, as defined by the Constitution, by Full Council in October 2019. Departmental business plans are established to translate the corporate objectives into appropriately planned and resourced strategies, projects and interventions; the operational delivery of the Corporate Plan. It is the elected Members of the authority who are ultimately responsible for the delivery of the council's corporate objectives and this is facilitated through the strong communication channels between Members and officers as evident in 2020-21.

Performance

Our adopted Corporate Plan presented a new Performance Management Framework (PMF), allowing the authority to critically evaluate progress against its stated objectives, provide industry intelligence to drive service transformation and, for residents, it delivers genuine scrutiny in how successful the council is in administering its resources.

Central to the delivery of the PMF is a commitment to a transparent performance monitoring and reporting process at all levels, both in regards to the authority and the personal development of officers, an agenda successfully realised in 2020-21.

Formal qualitative and quantitative performance reporting takes place at different times and to different audiences in order to ensure fully informed policy decision making:

- **Quarterly:** Performance reports of all tiers of indicators to Corporate Management Team (CMT). Subsequently reported to Cabinet and individual Cabinet Committees for consideration and scrutiny, prior to publishing to the council's digital platforms and *Your Borough* magazine.
- **Yearly:** Annual report against all performance indicators, including an outline of relevant achievements directly contributing to the council's corporate objectives. This is supported by individual services' own reports and thematic or project reporting e.g. on passing its motion in June 2019, the council committed to producing a Climate Change Annual Report to review its progress. The first report was presented to Full Council in December 2020.

More broadly, the authority's business planning process specifically links in the activities of the individual departments, and those of individual officers, with the corporate objectives of the council providing a 'golden thread'; an understanding of how the performance of each officer contributes to the council's objectives and, ultimately, the delivery of its vision for the borough.

Finance

Section 151 of the Local Government Act 1972 requires a council to ensure that one officer has responsibility for the proper administration of its financial affairs. In 2020-21 this responsibility was held by the Director (Corporate Services), with a Deputy Section 151 officer also appointed - Assistant Director (Corporate Services). The council's financial management arrangements conform to the requirements of CIPFA's guidance on the *Role of the Chief Financial Officer in Local Government*. In terms of its financial controls, we work to the principles and standards within CIPFA's [Financial Management Code](#). To test and ultimately demonstrate that our processes satisfy the 17 principles established by CIPFA's *Financial Management Code*, a self-assessment was undertaken in 2020-21. It concluded no significant improvements were required, with compliance fully achieved in 15 of the 17 standards.

We have a 10-year Medium-Term Financial Plan in place, which sets out the forecasted budget for the council over the period. This is supported by the Medium Term Financial Strategy (MTFS), which outlines how the authority wants to structure and manage its finances in full consideration of the successful delivery of our

corporate objectives. Due to significant external factors (e.g. impact of Covid-19 on public finances) Full Council took the decision in 2020-21 to adopt a new one-year MTFs for 2021-22.

Regular budget monitoring took place in 2020-21 in order to manage our Net Revenue Budget. Regular meetings are held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Finance & Audit Committee and Cabinet on a quarterly basis throughout 2020-21. Directors, Assistant Directors and Service Managers are responsible for the financial management of service areas within the council, which includes the effective monitoring of financial performance against budget.

Throughout 2020-21, the council utilised a number of short-term controls to directly manage its finances in line with the delivery of the adopted corporate objectives

- The [Civic Budget Book](#) sets out the budgetary requirements for the year and is agreed annually before its online publication. Monitoring controls are in place, with quarterly budget monitoring reports presented to Cabinet and Finance and Audit Committee.
- A set of [Financial Statements](#) are produced for each financial year. The Statement of Accounts summarises the council's financial performance during the year and includes key financial statements.
- The council's [Capital Strategy](#) is intended to outline the principles followed by the authority in its approach to capital investment over the long-term. Annually reviewed, the strategy sets out the framework within which the council will plan, procure, prioritise and manage its capital investment and financing decisions in support.
- The council has adopted CIPFA's [Treasury Management in the Public Services: Code of Practice 2017](#), producing an annual [Treasury Management Report](#) (including the Annual Investment Strategy Report) and an annual [Treasury Management Review](#) report outlining treasury management activities and performance for the previous year. We also submit regular in-year treasury management monitoring reports to the Finance & Audit Committee.

Action: CIPFA's *Financial Management Code* states authorities should be fully compliant with the established 17 core principles by the end of the 2021-22 financial year. In establishing a fully compliant suite of processes, the design and implementation of the remaining required controls within the set timescale therefore forms an AGS recommendation for 2021-22.

Audit

We have a shared Audit and Counter Fraud service with Medway Council. The purpose of the team is to provide independent, objective assurance, investigation and consulting services to add value and improve the council's operations. In doing so, the team brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, internal control and governance processes.

In undertaking its responsibilities, the service operates to the [Public Sector Internal Audit Standards](#) and, by appointment, CIPFA's [Role of the Head of Internal Audit in Public Service Organisations](#). In light of Covid-19, a slightly reduced programme of assurance reviews was undertaken by the service in 2020-21, with the team reallocating its resources to support the authority in its evolving governance

environment. Despite this, the Head of Internal Audit was able to provide a full opinion for 2020-21, delivered in full consideration of CIPFA standards.

The responsibilities of the Finance & Audit Committee include the consideration of reports from internal and external audit, and inspection agencies, as well as monitoring the performance of internal audit. During 2020-21, the Finance and Audit Committee received and considered a number of reports from council officers and external bodies, enabling the committee to obtain assurances of the internal control and governance arrangements of the council and to monitor action in addressing any issues identified by these reports.

The council is committed to continuously improving its governance framework. In doing so, the authority works to implement the findings and key recommendations of its external auditors and statutory inspectors where these further strengthen the existing controls and processes that drive the governance environment.

Risk

We have a long-established process in place to identify the principal risks that may influence or impact on the delivery of services. The process requires judgements to be made on the likelihood and impact of a potential risk and enables the council to develop and implement appropriate controls to mitigate these risks and reduce their impact.

Monitoring risk is an on-going process and complements all of our council projects and day to day business. Central to the council's approach is an annually reviewed [Risk Management Strategy](#), which outlines the adopted approach for identifying, evaluating, managing and recording risks to which the authority is exposed.

Against that framework, we prepare an annual [Corporate Risk Register](#) following a thorough review of the risks already identified by the council and consideration to the identification of potential new strategic risks, alongside those identified within the business planning process.

At a Member level the Finance & Audit Committee is responsible for monitoring the effective development and operation of these management arrangements, including a mid-year review of the Corporate Risk Register.

Alongside the listed controls delivered in 2020-21, all committee reports included an appendix that identified the 'implications' of any decisions being recommended through the report, including an assessment of risk.

Action: In order to effectively assess service level risk and ensure this is considered within the wider corporate risk framework, a broader programme of risk management training in 2021-22 will form an AGS recommendation. This programme will specifically address those officers outside of the Wider Management Team that have responsibility for designing Service Business Plans.

Partnerships

We are consistently seeking to identify innovative solutions in the design and delivery of its services. This can include consideration of partnership working opportunities with public bodies and local agencies, including identification of shared

service opportunities. These have been fully considered during 2020-21 as they have arisen.

We have a robust Working in Partnership Framework in place, acting as the central point of reference in developing new partnerships, linking the formation of new opportunities to the delivery of our Corporate Plan objectives. The framework was reviewed in 2020-21 to account for the inclusion of a number of key governance controls including; revising the financial threshold for a significant partnership to £50,000 and ensuring the council's revised equalities objectives and climate change commitment form key considerations in the evaluation of any partnership arrangement. The new framework will be presented to Full Council for adoption in 2021-22.

In support of the framework, as in previous years a comprehensive review of the council's [Corporate Register of Partnerships](#) was undertaken in 2020-21 to ensure all relevant partnerships are included and demonstrate their continued effectiveness, value for money and alignment to the council's corporate objectives.

Outside of formal established partnerships, we reviewed our support for local community groups and stakeholders in 2021. The Covid-19 pandemic raised awareness of the level of critical support being delivered across Gravesham by the voluntary sector and, following the review, a series of 12-month funded Service Level Agreements were awarded. This new approach to local community groups was endorsed by the Community and Leisure Cabinet Committee.

Transparency

The government maintains a commitment to increasing transparency across central and local government in order to make data more readily available and enable residents to hold service providers truly to account.

As a publicly funded organisation, GBC is equally committed to openness and accountability. In 2020-21, the council published a series of datasets in line with the Local Government Transparency Code 2015 and other transparency commitments including; senior staff salaries, organisation chart, spending on items over £500, details of new contracts and also the adopted Pay Policy Statement.

A key component of the authority's transparency dataset involves the publication of the council's annual gender pay gap outturn. In 2020-21 the government advised that as a result of the impact presented by the Covid-19 pandemic the Equality and Human Rights Commission had agreed an extension to the exercise, with relevant employers now required to publish 2020-21 data - which uses a snapshot date of 31 March 2020 and 6 April 2020 - by 5 October 2021.

Trading

As part of its plans to diversify its income stream and ultimately address the continued uncertainty surrounding local government funding, in 2019-20 the council established its first Local Authority Trading Company.

The formation of Rosherville Limited, with the authority as sole shareholder, enables the provision of commercial services to local residents and businesses, with profits

helping fund and sustain essential frontline services. In 2020-21, this commercial agenda was further enhanced through the establishment of subsidiaries Rosherville Servicing Limited and Rosherville Property Development Limited.

The companies have been established to operate with a high degree of commercial freedom, which is underpinned by the commitment to the principles and best practice advocated by the Lawyers in Local Government (LLG) guidance note; *The Governance of Council Interests in Companies*.

As such, following its initial establishment Cabinet adopted the company's *Articles of Association* which:

- form the basis of its constitution;
- define the responsibilities of directors;
- outline core business; and
- identify how shareholders exert control over the board of directors.

The Articles have been based upon the model Articles Companies (Model Articles) Regulation 2008 with the necessary modifications to reflect accountability to the council, the council's requirements and specifically those matters of business which have been reserved for Shareholder Approval.

In line with these governance controls, Rosherville Limited and its subsidiaries produce an annual business plan. To provide appropriate flexibility and freedoms to trade, it is for the parent company itself to approve the detailed annual Business Plans for established subsidiaries. The business plan for the holding company is approved by the Cabinet each year. On Cabinet's approval, the plan details scheduled activities for the forthcoming year ensuring business is both in line with the council's corporate objectives and, equally, provides appropriate social and financial returns for the authority.

As sole shareholder, there are also clear arrangements in relation to the council which are defined in a formal Shareholders Agreement, providing in detail the governance and approved decision making process.

The Leader of the Council (or nominated representative) acts as the Shareholder's representative to provide a link between the Shareholder and Rosherville Limited. In order to support the Leader in making decisions in relation to Rosherville Limited, other than those reserved for Cabinet, the council has established a Shareholder Group consisting of the Chief Executive, Director of Corporate Services (as the authority's Section 151 Officer) and Deputy Monitoring Officer, as well as other officers as the need arises.

Whilst there are specific decisions which are delegated to Cabinet for determination, other matters can be undertaken by the Leader, in consultation with the Shareholder Group; specific terms of reference have been established for this group.

Covid-19

The practical impact of the Covid-19 pandemic for the council presented itself in 2020-21, principally via the Coronavirus Act 2020. Despite the extensive resource and practical challenges presented by Covid-19, the council actively made plans, preparations and amendments to policy and processes in advance of societal

restrictions. The following represent only a selection of the responsive governance measures and internal controls:

- **Resilience Group:** a cross-Directorate group of officers was identified to operate as a research source and 'critical friend' to the CMT. Amongst its activities, the group coordinated a series of reviews into the council's critical services, enabling the CMT to respond effectively in identifying the various IT, HR and business requirements that were needed to ensure continued frontline service delivery.
- **Performance indicators:** to accurately monitor the impact of Covid-19 on critical services, a new suite of 40 performance management indicators was established and reported weekly to the CMT in order to enable early insight for potential intervention.
- **Internal Audit:** the team undertook to log, identify and test all amendments to internal control mechanisms introduced by the CMT. Through this concentrated approach, these new controls are able to be effectively monitored and reviewed for ongoing use.

Action: As a result of the significant impact presented by Covid-19 upon council resources, the business planning process for 2021-22 was postponed. The decision was taken in the knowledge all component materials (e.g. capital budgeting, risk management analysis, performance management) are accounted for through individual reports to CMT and Cabinet. The reinstatement of a timely and comprehensive business planning programme, specifically run in conjunction with the annual budget setting process, will form an AGS recommendation for 2021-22.

Review

In compliance with the Accounts and Audit Regulations 2015, the council has responsibility for conducting an annual review of the effectiveness of its governance framework, including the system of internal control. The review is undertaken using the established criteria of the CIPFA/SOLACE Framework; *Delivering Good Governance in Local Government*, as adopted in the council's Code of Corporate Governance. In support of the framework, the following have been considered in the 2020-21 review:

- The continued value and effectiveness of the council's governance framework as defined in the Code of Corporate Governance;
- Reviews carried out by Internal Audit, external auditors and other review bodies that scrutinise the systems of internal control;
- The opinion on the overall adequacy and effectiveness of the overall control environment from the Head of Internal Audit;
- The completion of control questionnaires by the Monitoring Officer, Chief Financial (s151) Officer and the Head of Internal Audit; and

The completion of self-assessment control questionnaires by the Chief Executive, Directors, Assistant Directors, Service Managers and other key managers within the council.

Conclusion: In line with the council's statutory responsibilities, the conclusion to the annual review process for the year ended 31 March 2021 is that the arrangements in place are considered to be fit for purpose and in accordance with the council's governance framework, with no significant areas of concern. The key findings of the annual review form the basis of the recommendations made in this 2020-21 AGS to further enhance the council's existing governance and control environment in 2021-22.

Although not presenting any significant governance and internal control issues, the annual review did present opportunities for enhancement of the council's governance environment. In endorsing the 2020-21 AGS, the Finance and Audit Committee agree to the following activities being delivered by March 2022.

Control	Action	Objective	Corporate Plan
Constitution	The Constitution is an integral component of the council's governance framework. In order to ensure it remains up to date in regards to legal expectations and accurately reflective of the council's governance structure, completion of the next phase of its scheduled review should be undertaken, inclusive of key activities such as the implementation of revised Contract Procedure Rules	Progress	Successfully manage key business risks: <i>embed a culture of compliance with all policy, constitutional and legislative demands.</i>
Financial Management Code	CIPFA's Financial Management Code states authorities should be fully compliant with the established 17 core principles by the end of the 2021-22 financial year. In establishing a fully compliant suite of processes, the design and implementation of the remaining required controls within the set timescale therefore forms an important commitment for 2021-22.	Progress	Sound financial management: <i>deliver an environment of responsible financial management through a robust Medium Term Financial Strategy and consistent budget monitoring regime.</i>
Risk Management Training	In order to effectively assess service level risk and ensure this is considered within the wider corporate risk framework, a broader programme of risk management training in 2021-22 should be delivered. This programme will specifically address those officers outside of the Wider Management	Progress	Successfully manage key business risks: <i>embed a culture of compliance with all policy, constitutional and legislative demands.</i>

Control	Action	Objective	Corporate Plan
	Team that have responsibility for designing Service Business Plans.		
Business Planning	As a result of the significant impact presented by Covid-19 upon council resources, the business planning process for 2021-22 was postponed. The reinstatement of a timely and comprehensive business planning programme, specifically run in conjunction with the annual budget setting process, represents an important component of the council's internal control environment.	Progress	<p>Drive service improvement and corporate governance: <i>a robust and benchmarked performance management framework, delivered by services underpinned with sound internal controls.</i></p>