

Annual Governance Statement: 2021-22

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 2021-22.

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 2021-22.

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 2022.

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 2021-22, 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 1: The Constitution is an integral component of the council's governance framework. 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 2022-23, 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:

- **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.

Departmental business plans are established to translate the corporate objectives into appropriately planned and resourced strategies, projects and interventions. It is the elected Members 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 2021-22.

Action 2: An essential component in the council's governance framework, the Corporate Plan sets the tone and direction of travel for the authority over a four-year administration period. In advance of the local elections in 2023, to ensure the council's next Corporate Plan is designed in full consideration of the community's needs and expectations of the authority and its core services, the delivery of a full 12-week consultation process will form an AGS recommendation for 2022-23.

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 2021-22.

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. the Climate Change Annual Report as presented to Full Council.

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 2021-22 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 principles established by CIPFA's *Financial Management Code*, a self-assessment was undertaken in 2021-22. It concluded no significant improvements were required, with compliance fully achieved in each 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. In 2021-22, the council introduced a new five-year MTFS spanning 2022-23 to 2026-27.

Regular budget monitoring took place in 2021-22 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 2021-22. 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 2021-22, the council utilised a number of short-term controls to directly manage its finances in delivering the 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 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 2021, producing an annual Treasury Management Report (including the Annual Investment Strategy Report) and an annual Treasury Management Review report outlining activities and performance delivered. We also submit in-year treasury management monitoring reports to the Finance & Audit Committee.

Action 3: Given the already existing socio-economic challenges facing the borough and the financial position facing the authority as identified in the MTFS, a review or position statement of the 'cost of living crisis' will form an AGS recommendation for 2022-23.

Action 4: During the external audit process in the summer of 2020 relating to 2019/20 accounts, the accounting treatment relating to the St George's Centre was raised by Grant Thornton, proposing a departure from the methodology adopted and audited during the 2018/19 accounts. As such, the authority has not yet secured full endorsement to its Statement of Accounts for the 2019-20 and 2020-21 financial years. The council will continue to productively engage with Grant Thornton to resolve these outstanding matters during the 2022-23 financial year.

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, in light of the full audit programme of assurance reviews undertaken in 2021-22, the Head of Internal Audit was able to provide a full opinion, delivered in direct consideration of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations.

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 2021-22, 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.

In seeking to provide broader corporate oversight of the operating risk environment, in 2021-22 the council further enhanced its internal controls with the introduction of an internal Risk Management Working Group.

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 2021-22, all committee reports included an appendix that identified the 'implications' of any decisions being recommended through the report, including an assessment of risk.

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 2021-22 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 latest review of the framework accounted 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 was 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 2021-22 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, the council undertook a review of its support for local community groups and stakeholders in 2021-22. Following an evaluation of the emerging needs across Gravesham and considering the council's position as recovery from the pandemic evolves, 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 2021-22, 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.

To promote transparency and wider engagement with council decisions, residents can use digital platforms such as; Facebook, Twitter, Instagram and YouTube to get updates from, and interact with, the authority. To counter the social restrictions imposed by Covid-19, and under the provisions of the Coronavirus Act 2020, this functionality meant that in the early part of 2021-22 residents were able to remotely access Council meetings and therefore continue to partake in local decision making.

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, whilst equally providing tangible social value e.g. local employment opportunities. This commercial agenda has been further enhanced through the establishment of subsidiaries Rosherville Servicing Limited and Rosherville Property Development Limited and, in 2021-22, approval of the formation of Rosherville Repairs & Maintenance.

The companies have been established to operate with a high degree of commercial freedom, underpinned by a commitment to the principles and best practice advocated by the Lawyers in Local Government 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 where applicable.

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 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.

Action 5: With a view to further enhancing the governance environment of Rosherville Limited, consideration of the overall governance framework for the company, including the appointment of non-executive Director/s to the Rosherville Board, will form an AGS recommendation for the council in 2022-23 as primary shareholder.

Covid-19

The practical impact of the Covid-19 pandemic for the council presented itself in 2020-21, principally via the Coronavirus Act 2020. In response, the council actively made plans, preparations and amendments to policy and processes, with the following representing only a selection of the measures undertaken in 2021-22:

- Supporting vulnerable residents: including food and fuel grants and the administration of a *Community Outbreak Management Fund* and a *Household Support Fund*.
- NHS Test and Trace Service: administered over 400 Test and Trace grants under the mandatory scheme and over 250 across the discretionary scheme in 2021-22.
- Allocation of business support grants: administration of the government's Additional Restrictions Grant – central to the council's Economic Stimulus Package, Restart Grant and Omicron Hospitality and Leisure Grant schemes.
- Council tax support: administered the government's Hardship Fund and provided further financial support initiatives (e.g. Hardship Payments).
- Support for the homeless in the borough: claimed £81,600 from government under the Protect Plus and Cold Weather Fund which enabled temporary placements into accommodation as well essential home starter packs for those in need.
- Support for council officers and Members: initiatives ranging from the launch of a trial Hybrid Working Policy – underpinned by new technological advances – through to interventions to support the mental health and well-being of council officers.

Full details of the council's second Covid-19 review were reported to Cabinet in 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 2021-22 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 2022 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 2021-22 AGS to further enhance the council's existing governance and control environment in 2022- 23.

This AGS was considered by the council's Management Team on 7 June 2022 and subsequently the Finance & Audit Committee on 19 July 2022.

Plan

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 this AGS, the Finance and Audit Committee therefore agree to the following activities being delivered in 2022-23:

Control	Action	Objective	Corporate Plan
Constitution	The Constitution is an integral component of the council's governance framework. To ensure it remains up to date regarding 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>
Corporate Plan 2023-27: Consultation	An essential component in the council's governance framework, the Corporate Plan sets the tone and direction of travel for the authority over a four-year administration period. In advance of the local elections in 2023, to ensure the council's next Corporate Plan is designed in full consideration of the community's needs and expectations of the authority and its core services, the delivery of a full 12-week consultation process should be undertaken.	Progress	Drive service improvement and corporate governance: <i>a robust and benchmarked performance management framework, delivered by services underpinned with sound internal controls.</i>
Financial Pressures: Review	Given the already existing socio-economic challenges facing the borough and the financial position facing the authority as identified in the MTFS, a review or position statement of the 'cost of living crisis' should be delivered with a view to considering both the council's support interventions and the authority's planning for the ongoing economic challenge ahead.	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>



Control	Action	Objective	Corporate Plan
Statement of Accounts	During the external audit process in the summer of 2020 relating to 2019/20 accounts, the accounting treatment relating to the St George's Centre was raised by Grant Thornton, proposing a departure from the methodology adopted and audited during the 2018/19 accounts. As such, the authority has not yet secured full endorsement to its Statement of Accounts for the 2019-20 and 2020-21 financial years. The council will continue to productively engage with Grant Thornton to resolve these outstanding matters during the 2022-23 financial year.	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>
Rosherville Limited: Governance framework	With a view to enhancing the governance environment of Rosherville Limited, consideration of the overall governance framework for the company, including the appointment of non-executive Director/s to the Rosherville Board, will form an AGS recommendation for the council in 2022-23 as primary shareholder.	Progress	Develop an entrepreneurial culture: <i>deliver on commercial opportunities to generate income and provide a social impact.</i>

Certification by Chair of the Finance & Audit Committee

I confirm that the 2021-22 Annual Governance Statement has been considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 19 July 2022.

Councillor Gurbax Singh – 19 July 2022.

Endorsement by the Leader of the Executive and the Chief Executive

Leader of the Executive Councillor John Burden – 25 July 2022

Chief Executive Stuart Bobby – 25 July 2022.