

## Annual Governance Statement: 2022-23

### 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, inclusive of established best practice e.g. the Seven Principles of Public Life (Nolan principles).

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 2022-23.

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 2022-23.

### 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 2023.

Action 1: A well-constructed Member Induction Programme is a key milestone in the delivery of a local authority's governance framework. It provides a core development opportunity to enable Members to quickly become familiar with how the council works, the rules and procedures under which it operates and the complexities of the elected Member role. The programme is of particular importance in preparing Members, especially those newly elected, for their decision-making roles and responsibilities. Specifically designed to coincide with the 2023 local elections, delivery of a new programme will therefore form an AGS recommendation for 2023-24.

### 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 2022-23, 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 2: 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 evolving governance structure, completion of the next phase of its scheduled review will form an AGS recommendation for 2023-24.

## 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 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 evident in 2022-23.

Action 3: A key component in the council's policy framework, the Corporate Plan sets the tone and direction of travel for the authority over a four-year administrative period. The plan identifies a suite of corporate objectives and supporting operational policy commitments that determine the scale of projects and planned interventions aimed at improving the health and well-being of Gravesham. Delivery of a new plan for the 2023-27 period will form an AGS recommendation for 2023-24.

## 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 regard to the authority and the personal development of officers, an agenda successfully realised in 2022-23.

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 Performance 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.

## Audit

Internal Audit and Counter Fraud activity is delivered through a shared service with Medway Council, aimed at providing 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 role, the service operates to the Public Sector Internal Audit Standards for which it was subject to an External Quality assessment in 2022-23, with the assessor identifying; *“Current services are assessed to generally conform with the PSIAS standards with the service demonstrating a high standard of delivery which is well regarded by stakeholders and compares well with best sector practice.”*

In light of the full audit programme of assurance reviews undertaken in 2022-23, 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 internal audit performance. During 2022- 23, the committee received and considered numerous reports from council officers and external bodies, enabling Members 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.

### 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 2022-23 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 2022-23. 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. A new five-year MTFS spanning 2022-23 to 2026-27 was adopted by Council in February 2022.

Regular budget monitoring took place in 2022-23 to manage the council's Net Revenue Budget. Frequent 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 2022-23. 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 2022-23, 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 & Audit Committee.
- GBC produced a financial outturn report summarising the council's financial performance for the year, which will be used as a basis for producing the Statement of

#### Accounts.

- 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 delivery of the council's objectives, with intrinsic links to the [Treasury Management Strategy](#).
- 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](#) outlining activities and performance for the previous year. We also submit regular in-year treasury management monitoring reports to the Finance & Audit Committee.

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.

In response, the council has agreed a high-level plan with Grant Thornton to conclude the 2019-20 and 2020-21 audits during 2023-24, as well as an 'in principle' plan for conducting the 2021-22 and 2022-23 audits concurrently during 2024-25.

## 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 council projects and day to day business, forming a key consideration in all committee decisions. 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, the council has further enhanced its internal controls with the implementation 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.

This framework has enabled a series of policy interventions throughout 2022-23 aimed at mitigating risk, including the restructuring within the IT service to enable the creation of a dedicated Cyber Security and Infrastructure Engineer to respond to increased cyber risk.

## Partnerships

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



In 2022-23 this saw the creation of an Investment Partnership, aimed at helping accelerate the development of affordable housing within the Borough on sites owned by the authority. The 50:50 nature of the partnership model enables the authority to retain control, whilst providing the partner a commercial imperative to maximise profits, which are split equally. For the council, any profit generated through the partnership could be used to fund future housing development or retrofitting of energy efficiency measures within the existing stock. Such partnerships enable risk-sharing, the benefit of commercial skills and expertise to help unlock sites, adding social value through training and apprenticeships, and safeguarding quality in trusted track records in the development of homes.

To govern this agenda, the council has adopted a robust Working in Partnership Framework, which is the central point of reference in developing new partnerships, directly linking the formation of new opportunities to the delivery of the council's corporate objectives. The framework contains a number of key governance controls, including the financial threshold for a significant partnership (£50,000) and ensuring the council's revised equalities objectives and climate change commitment form key considerations in the evaluation of any partnership arrangement.

In support of the framework, as in previous years a comprehensive review of the council's [Corporate Register of Partnerships](#) was undertaken in 2022-23 to ensure all relevant partnerships are included and demonstrate their continued effectiveness, value for money and alignment to the council's corporate objectives.

## 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 2022-23, 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.

For the council, transparency and community involvement in civic life extends beyond published datasets. In committing to delivering effective engagement opportunities with local residents and businesses, the council has an established suite of forums (e.g. [Gravesham Business Network](#)) and provides a variety of consultation opportunities promoted through its [website](#), supported by digital platforms such as; Facebook, Twitter, Instagram, and YouTube that provide interactions with the authority.

Action 5: The Corporate Plan consultation exercise delivered in 2022-23 demonstrated a clear public request for more regular and meaningful consultative activity to inform council decision-making. Positive and representative consultative activity has the benefit of ensuring local residents and groups are actively engaged, with a stake in civic life. In its commitment to community development, the council will launch a new branded consultation programme, published on an annual basis. Forming a core AGS recommendation for 2023-24, the programme will provide opportunities for positively shaping council policy and accessible service design, especially important at a time of challenging financial projections, whilst also exploring reflective feedback in terms of resident satisfaction with council services.

## Trading

As part of its plans to diversify its income stream and ultimately address the continued uncertainty surrounding local government funding, the council has established a 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 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 April 2022, Rosherville Repairs & Maintenance Limited.

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.

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 key link between the two parties.

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. Whilst specific decisions 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.

A full review of the governance framework for the Rosherville group of companies was undertaken in 2022-23, resulting in a revised Board structure and approval for the appointment of an independent nonexecutive director at the appropriate time. This led to a subsequent review of the Articles of Association and Shareholder Agreement, both of which were approved in March 2023 by the Shareholder and Rosherville Boards, to be implemented from 1 April 2023. In addition, the Shareholder Group will be replaced by a Rosherville cabinet Advisory Panel.

The companies have continued to prepare annual business plans to set out the 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. The annual business plan for the holding company is approved by the Cabinet, whilst the subsidiary Business Plans are approved by the Board of Rosherville Limited.

## 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 2022-23 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 2023 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 2022-23 AGS to further enhance the council's existing governance and control environment in 2023-24.

This AGS was considered by the Corporate Management Team on 23 May 2023 and presented to the Finance & Audit Committee on 18 July 2023.





## 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 & Audit Committee therefore agree to the following activities being delivered in 2023-24:

| Control                 | Action   | Corporate Plan  |
|-------------------------|--|---|
| Member Induction        | A well-constructed Member Induction Programme is an important development opportunity that enables Members to quickly become familiar with how the council works, the rules and procedures under which it operates and the complexities of the elected Member role. Specifically designed to coincide with the 2023 local elections, the programme is of particular importance in preparing Members, especially those newly elected, for their decision-making roles and responsibilities. | <b>#3 Progress Successfully manage key business risks:</b><br><i>embed a culture of compliance with all policy, constitutional and legislative demands.</i>   |
| 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 authority's evolving governance structure, a scheduled review will be undertaken in 2023-24.  | <b>#3 Progress Successfully manage key business risks:</b><br><i>embed a culture of compliance with all policy, constitutional and legislative demands.</i>   |
| Corporate Plan: 2023-27 | The Corporate Plan sets the tone and direction of travel for the authority over a four-year administration. Working within the context of the council's strategic vision for the borough, a new plan for the 2023-27 period will identify a suite of corporate objectives and supporting operational policy commitments to determine the scale of projects and planned interventions aimed at improving the health and well-being of the community.  | <b>#3 Progress Drive service improvement and corporate governance:</b><br><i>a robust and benchmarked performance management framework, delivered by services underpinned with sound internal controls.</i> |



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|------------------------|---|--|
| 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. In response, the council has agreed a high-level plan with Grant Thornton to conclude the 2019-20 and 2020-21 audits during 2023-24, as well as an 'in principle' plan for conducting the 2021-22 and 2022-23 audits concurrently during 2024-25. | <b>#3 Progress</b><br><b>Sound financial management:</b> <i>deliver an environment of responsible financial management through a robust Medium Term Financial Strategy and consistent budget monitoring regime.</i>        |
| Community Consultation | Positive and representative consultative activity has the benefit of ensuring local residents and groups are actively engaged, with a stake in civic life. A new branded consultation programme, published annually, will provide opportunities for positively shaping council policy and accessible service design, especially important at a time of challenging financial projections, whilst also exploring reflective feedback in terms of resident satisfaction with council services.  | <b>#2 Place</b><br><b>Develop a cohesive and resilient community:</b> <i>implement a leading programme of engagement initiatives, showcasing the borough's diversity and enabling greater participation in civic life.</i> |

### Certification by Chair of the Finance & Audit Committee

I confirm that the 2022-23 Annual Governance Statement has been considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 18 July 2023.

Councillor Gavin Larkins – 18 July 2023.

### Endorsement by the Leader of the Executive and the Chief Executive

Leader of the Executive Councillor John Burden – 18 July 2023

Chief Executive Stuart Bobby – 19 July 2023.