

2018-2019 Annual governance **statement**

Draft



better for customers and better for business

May 2019

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Scope of responsibility

Tewkesbury 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. In discharging this overall responsibility, the council is responsible for putting in place proper arrangements of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Regulation 6(1) (a) of the Accounts and Audit Regulations 2015 require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England). Regulation 6 (1) (b) of the Accounts and Audit Regulations 2015 require that for a local authority, the statement is an Annual Governance Statement.

The preparation and publication of an Annual Governance Statement in accordance with Delivering Good Governance in Local Government: Framework 2016 fulfils the statutory requirements for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

In England, the Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be ‘prepared in accordance with proper practices in relation to accounts’.

Therefore, a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government: Framework (2016).

The purpose of the governance framework

The governance framework defines 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. The framework defines the principles that underpin good governance, providing a structure to help individual authorities with their approach to governance.

Governance structures and partnerships should be tested against the principles contained in the framework by:

- Reviewing existing governance arrangements
- Developing and maintaining an up to date local code of governance, including arrangements for ensuring ongoing effectiveness
- Reporting annually on compliance with the local code and how the effectiveness of governance arrangements have been monitored.

The governance framework

Delivering Good Governance in Local Government 2016 identifies the following core principles (which are supported with a raft of sub principles): -

- Behaving with integrity, demonstrating strong

commitment to ethical values, and respecting the rule of law.

- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the entity’s capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Examples of key elements of the structures and processes that comprise a council’s governance arrangements include :-

- Codes of conduct that define standards of behaviour for members and staff and policies such as whistleblowing and anti-fraud and corruption and these codes are communicated effectively.
- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.
- Documenting a commitment to openness and acting in the public interest.
- Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.
- Translating the vision into courses of action for the authority, its partnerships and collaborations.

- Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.
- Defining and documenting the roles and responsibilities of members and management, with clear protocols for effective communication in respect of the authority and partnership arrangements.
- Management arrangements that conform with the governance arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015) and the CIPFA Statement on the Role of the Head of Internal Audit (2019).
- Ensuring effective arrangements are in place for the discharge of the monitoring officer function and head of paid service function.
- Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.
- Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained.
- Ensuring an effective scrutiny function is in place.
- Undertaking the core functions of an audit committee.
- Ensuring that the authority provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.

The council’s governance framework

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. A high level review is undertaken by the corporate governance group and is based on the sources of assurance that are demonstrated within diagram 1 – the council’s governance framework. The review of effectiveness is mainly informed by the work of senior management who have responsibility for the development and maintenance of the governance environment, internal and external audit reports plus third party assurance where relevant. The outcome of the review has concluded: -

- There is an acknowledgement of responsibility for ensuring there is a sound system of governance (incorporating the system of internal control) and broadly the framework is sound and arrangements are considered to be fit for purpose. The framework is extensive, complex and given the changing environment there will always be areas where governance can be strengthened. It would be unrealistic to expect all aspects of governance to be operating 100% effectively, 100% of the time.

A further review will be undertaken by the corporate governance group prior to submitting the AGS for final approval by the Audit and Governance Committee.

When considering the governance framework, the corporate governance group recognised improvements made during the year supported with business as usual actions. These include but

are not limited to;

- The significant corporate effort to ensure broad compliance with GDPR.
- Annual council plan refresh.
- Full review and approval of a new Council constitution (including updated Financial Procedure Rules).
- Work to increase the effectiveness of the Audit Committee (now Audit and Governance Committee).
- Audit Committee consideration of key governance frameworks i.e annual Health and Safety report and review of Safeguarding arrangements
- Improvements made to the client monitoring of the Ubico contract.
- Implementation of recommendations arising from the peer review of the internal audit function.
- Review of the council’s risk management arrangements including the introduction of a new corporate risk register.
- Development and approval of a Workforce Development Strategy.
- Adoption of a gifts and hospitality protocol for councillors.
- Approval of a new ICT policy.
- Delivery of the Counter Fraud Unit work programme.
- Approval of a new commercialisation strategy.
- Approval of a Medium Term Financial Strategy (2019/20-2023/24).

Progress on delivering significant governance issues reported within the 2017/18 AGS are summarised on page 4 and confirms the majority have now been completed.

A significant amount of work has been undertaken to **ensure the council is broadly compliant** with GDPR”

Review and update of the constitution

The last review was undertaken in 2009. Since that time it has been updated on a piecemeal basis taking into account changes to the political and management structure of the council. A full review was subsequently undertaken during 2018/19 and an updated constitution approved by Council on 19 February 2019.

Risk management

The council's risk management arrangements were reviewed during the year. A new risk management strategy was approved by Executive Committee on 16 January 2019 supported by the implementation of a new corporate risk register. The risk register is considered at each Audit and Governance Committee. Corporate Management Team also review the register on a monthly basis

Business continuity

A corporate business continuity plan has been finalised to support individual service plans. This plan details priority services and will be subject to desktop testing early in 2019/20.

Audit Committee effectiveness

A number of actions have taken place to increase the profile of Audit Committee. As part of the Constitution update, the committee has been renamed Audit and Governance Committee. A revised Terms of Reference supports the wider responsibilities of the committee. For the new municipal year, membership will also increase by two members (seven to nine). During the course of the year, internal audit have undertaken

training around their role, have held a 'meet the audit team' session and participated in a committee workshop on the outcome of the independent peer review of the internal audit function. An Audit Committee annual report and presentation was considered by Council at their meeting held on 26 September 2018.

Ubico client monitoring

This was previously reported as a governance issue following an adverse internal audit opinion. Significant improvements have been made regarding the robustness of monitoring arrangements. A new suite of Key Performance Indicators (KPI) have been developed and agreed across the Ubico partnership. Regular contract monitoring meetings, attended by appropriate Council and Ubico representatives now take place in relation to all aspects of the service. Whilst there is concern in relation to a budget overspend, the regularity and detail of financial information has improved. A data sharing agreement between the council and Ubico was also implemented during 2018/19.

General Data Protection Regulations (GDPR) 2018

A significant amount of work has been undertaken to ensure the council is broadly compliant with GDPR. All staff and members have received GDPR training, supported with an extensive internal communications campaign. A new Data Protection policy was approved by Executive Committee on 28 August 2018. Other actions completed to demonstrate compliance include fundamentals such as the development of retention schedules, data sharing agreements, privacy notices and an incident reporting protocol.

Workforce development strategy

A strategy was approved by Executive Committee on 3 April 2019. The strategy details the drivers, principles and overarching actions to enable the council's workforce to meet the challenges over the next five years.

Local code of corporate governance

To achieve good governance, the council should be able to demonstrate that its governance structures comply with the core and sub-principles contained within the 'Delivering good governance framework 2016'. To achieve this, the council's local code of governance should reflect these principles. The local code therefore needs to be updated to reflect these principles. This action remains outstanding and will be carried forward as a significant governance issue.

Review of existing governance framework

When considering emerging issues, the Corporate Governance Group gives consideration to the council's overall governance framework. An overview of the governance framework is summarised within a diagram found in appendix one. A key source of assurance, is the work of internal audit. Through their work undertaken during 2018/19, a less than satisfactory opinion i.e a 'limited' opinion has been issued in a small number of governance related areas;

Community Infrastructure Levy (CIL)

The internal audit findings confirmed that whilst CIL was 'live', the proposed governance arrangements between the three partner councils have yet to be approved. With regards to the operational arrangements within the council, processes and procedures need to be addressed, particularly the monitoring and reconciliation of CIL income. Resulting from the audit, an internal CIL working group has been set up to take forward the audit recommendations.

Financial governance – Ubico

The quarter three financial update reported to Executive Committee on 6 February 2019 projected an overspend of £230,887 in relation to the Ubico contract. This was a significant increase from the £141,622 position which had been reported in quarter two. There were a number of reasons for the overspend with the two main ones being: employee costs – mostly in relation to using agency staff to cover an increased number of long-term sickness absences; and transport costs – the majority of which related to the maintenance of the recycling and grounds maintenance equipment and vehicles, increased fuel costs and hire charges, and an overspend on tyres and other supplies. Given the significance of the overspend and how it had escalated, improvements to the budgetary control framework are required to understand the reasons for any deficit on a more timely basis. Work is currently underway to fully understand all the issues relating to the financial management aspect of the contract and to work with Ubico to ensure there are adequate controls in place moving forward.

Serious and organised crime – policy review

Audit Committee received a report on 18 December 2018 relating to ‘Local Authority Serious and Organised Crime’ checklist. This is essentially a self-assessment to enable local authorities to assess their vulnerability against the risk of serious crime. Whilst it was concluded the council is seen as low risk, there were a handful of related policies where it would be prudent to review them and generally raise organisational awareness to them. Whilst this is not necessarily significant, the policies form part of the council’s governance framework. The relevant policies are;

- Whistleblowing
- Bullying and Harassment
- Gifts and Hospitality
- Code of Conduct
- Anti-Fraud and Corruption

Significant governance issues

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. Progress in delivering the issues identified will be reported to both corporate management team and Audit and Governance Committee. The Lead Member for Corporate Governance will also be updated through portfolio briefings.

Governance issue	Proposed action	Timescale	Responsible officer/group
1 Community Infrastructure Levy (CIL) - governance arrangements	Deliver key internal audit recommendations; <ul style="list-style-type: none"> • Overall governance arrangements to be formalised • Operational processes to be agreed e.g. monitoring, reporting and reconciliation • Greater clarity of S123 list 	September 2019	CIL Working Group (Head of Development as lead officer)
2 Ubico – financial governance	Implement financial governance improvement plan; <ul style="list-style-type: none"> • Explanation of overspend to be provided • Final outturn figure to be reported to June Executive Committee (supported by Ubico officer representation) • Internal audit review • Review of financial controls 	September 2019	Head of Community/Head of Finance and Asset Management
3 Serious Crime Framework – key policy review	Review the following policies; <ul style="list-style-type: none"> • Whistleblowing • Bullying and Harassment • Gifts and Hospitality • Code of Conduct • Anti-Fraud and Corruption 	March 2020	Borough Solicitor/Head of Corporate Services/Counter Fraud Unit
4 Local Code of Corporate Governance	<ul style="list-style-type: none"> • Develop and approve a new code of governance 	March 2020	Head of Corporate Services

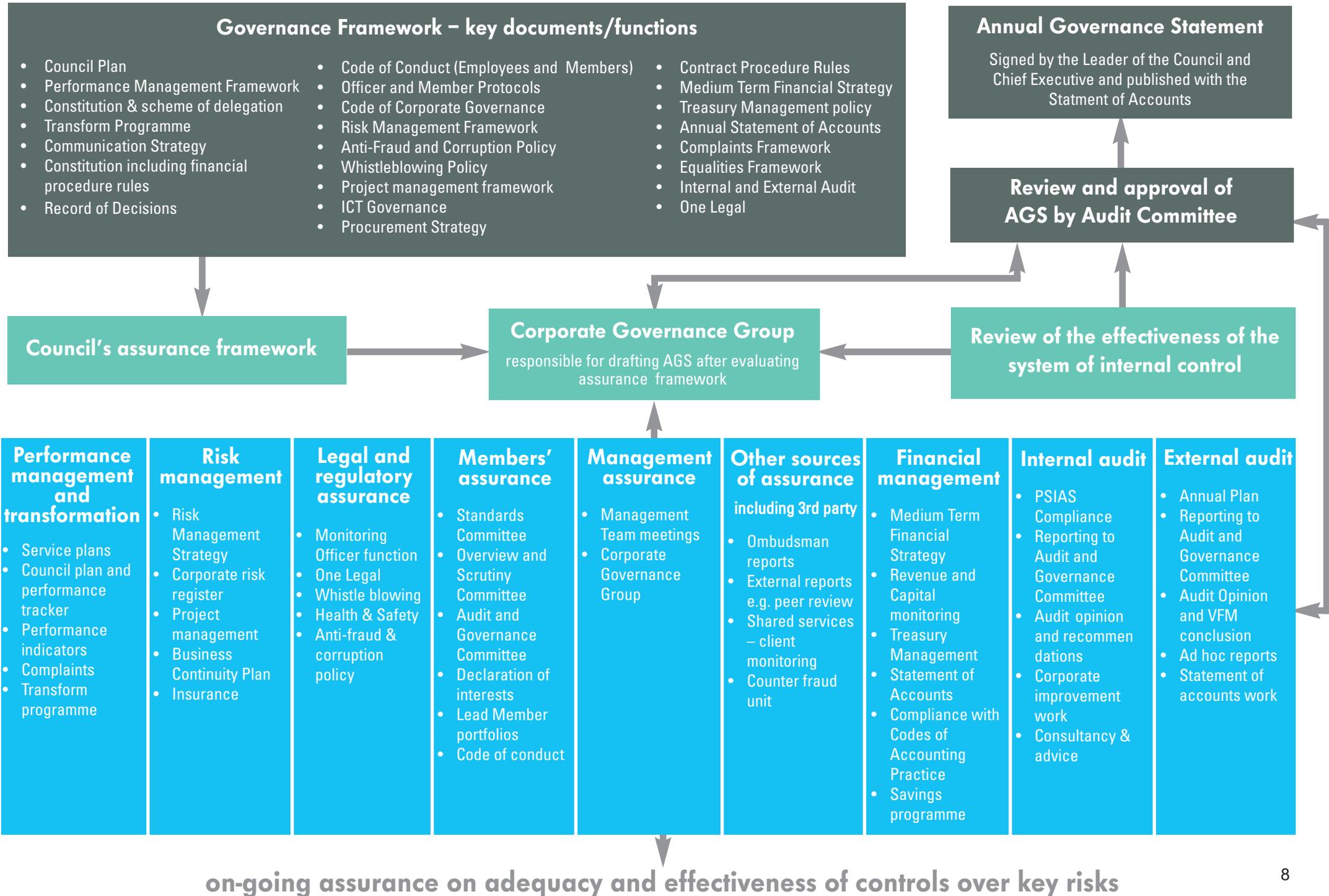
Signed on behalf of Tewkesbury Borough Council

Councillor Rob Bird
Leader of the Council

Mike Dawson
Chief Executive

Date

Date



Mike Dawson
Chief Executive
Tewkesbury Borough Council

