

2019-2020 Annual governance **statement**

Draft



better for customers and better for business

November 2020

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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 (now amended by The Accounts and Audit (Coronavirus) (amendment) Regulations 2020) 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 (AGS) 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 AGS 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).

COVID-19

Towards the end of the 2019/20 reporting period relating to this AGS, the council was required to initiate an emergency response to the COVID-19 pandemic. By necessity this involved significant changes and disruption to the way council services are normally delivered. Some services were suspended, others have been under immense strain due to increased demand, and some new services have been established with pace and urgency to respond to the needs of our citizens, communities and businesses in need.

As a direct result of this, changes to existing strategic and operational governance arrangements, along with some new governance arrangements have been deployed as part of our response. This has included special and robust measures to support proper decision making and continued democratic accountability. A number of aspects of the impact of our response to COVID-19 are therefore reflected in this AGS.

CIPFA Better Governance Forum briefing note - 7 April 2020

This AGS has been completed in accordance with guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This guidance specifically relates to the composition of an AGS in relation to the pressures that councils are facing as a result of the Coronavirus pandemic. Succinctly, the briefing note advises the following:

- Conducting an annual review of effectiveness may not be possible so use existing reports, assessments and knowledge where possible.
- The Chief Audit Executive’s (CAE) annual audit opinion may be delayed but should be completed and considered before the final publication of the AGS.
- Be clear about any limitations of assurance.
- The AGS assesses governance in place for 2019/20 so the majority of the year will be unaffected by COVID-19, the impact commencing mid-March. However, it needs to be ensured that the AGS is current at the time of publication. The impact on governance as a result of COVID-19 therefore needs to be considered up to the date of final publication.
- English authorities should sign off their draft accounts by 31 August, instead of 31 May. The draft AGS should be produced at the same time.
- The date for final publication of the accounts and AGS has been put back to 30 November.
- Lessons learnt may be a significant governance issue particularly if this exercise has not been completed by the date of final publication.

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.

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 (CGG) 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.

When considering the pre-COVID governance framework, the CGG group recognised improvements made during the year supported with business as usual actions. These include but are not limited to;

- A new council plan (2020-2024) that establishes the strategic priorities for the council including two new priorities (sustainable environment and garden communities)
- The induction of a new council – this process was commented upon as ‘impressive’ by the LGA Peer Challenge Team.
- The LGA Peer Challenge Team commented positively on the council’s overall governance and decision making arrangements.
- Work to increase the effectiveness of the Audit and Governance Committee.
- The approval of new strategies such as ICT, Digital and Communications.
- In partnership with the Gloucestershire Counter Fraud Unit, the review and update of key policies such as Whistleblowing, Anti-Fraud and Corruption, both supported with training for all staff.
- Implementation of a new staff and Member intranet enabling better communication and storage of governance related policies.
- The effectiveness of the Overview and Scrutiny Committee – again, their added value was recognised by the LGA Peer Challenge Team.
- The complaints and Freedom of Information (FOI) frameworks continue to operate well.

The CGG then considered progress on delivery of the significant governance issues reported within the 2018/19 AGS. This is summarised below:

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. **This action remains outstanding and will be carried forward as a significant governance issue.**

Financial governance - Ubico

In light of concerns over a re-occurring overspend a financial governance improvement plan was developed. This was at the request of the council’s Executive Committee. Improvements made during the year include improved controls to purchasing ordering, overhaul of reporting procedures, financial training for key members of staff and a full review and acceptable explanation of an overspend on tyres. A new Financial Director for the company was also appointed during the year and is being supported by S151 officers of the shareholding Councils. Given the volatile environment in which Ubico operates, it cannot be guaranteed that further overspends will occur but these should be unexpected, flagged at the earliest opportunity and managed. The CGG are satisfied this is no longer a significant governance issue.

Serious and organised Crime (SoC) policy review

An updated checklist on the council’s SoC arrangements was presented to Audit and Governance Committee on 29 July 2020. This concluded the council remains low risk to the threat from SoC and the committee noted the enhancements to the related policy framework. Internal Audit and Gloucestershire County Fraud Unit reviews of specific activities such as procurement and gifts hospitality are now likely to be complete by the end of the calendar year, as the work of both teams has been affected by COVID-19. The CGG however recognises that key policies such as fraud and corruption and whistleblowing have been reviewed and organisational awareness drawn to them. This significant governance issue is therefore considered implemented.

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, as identified in the diagram below. As a result of COVID-19, this has seen significant impact on the council’s service delivery and governance framework. When considering the changes made, albeit these are significant, governance and management of the council has remained robust and transparent. It should be noted that in respect of this 2019/20 AGS, the impact of COVID-19 only affected the very latter part of the reporting period i.e. March 2020. Key areas of impact of COVID-19 include:

- The setting up of an internal command and cell structure to deal with the emergency. This included the setting up of specific cells to manage the council’s response on communications, business support and community support as well as providing support to County led cells such as communications, mortality planning, health and wellbeing, community hub and homelessness.
- In relation to the above, the re-deployment of staff to priority areas. These include staffing of the Business Grants administration scheme (£17 million of grants awarded to nearly 1,500 businesses) and staffing of the Community Help Hub (1,640 referrals receiving help).
- The business grants work continues with a small team re-deployed from various services to the post grant assurance work. This work is ongoing until March 2021. More recently, resources have been concentrated on the implementation of the ‘Test and Trace Self Isolation’ grant scheme as well early work on a ‘Local Restrictions Support Grant’ in the event of a local lockdown.
- Increased service demand, for example the Revenues and Benefits team have seen a 50%

increase in Council Tax Reduction Scheme applications, applied nearly £10m of business rate reliefs and has currently processed in excess of £200,000 Local Council Tax Hardship Fund. The Environmental Health Team continue to make hundreds of visits to businesses to ensure they complied with lockdown requirements as well as advising and supporting those same businesses when lockdown restrictions were lifted, particularly around making our high streets a safe place.

- The entire council workforce working in a virtual environment from home. This required significant support in terms of the rollout of technology and related human resources and organisational development policies and procedures to support staff through this change.
- Through technology, the standing up of the council's committees, full council meetings and other Member forums to enable key business decisions to be considered.
- As the lockdown began in the last week of March, the financial impact of this in 2019/20 is relatively minimal with little expenditure committed and a modest impact on income streams. The 2019/20 impact will be picked up through the closure of accounts and the production of the outturn reports. There will be significant impact however on the 2020/21 budget with an estimated cost of £2.5 million as a result of a loss of revenue from the majority of income streams, additional expenditure to support priority services, additional borrowing costs to maintain cashflow etc. It is hoped this cost will be offset by government support.
- A range of emergency decisions taken under urgency powers, in accordance with the Council's constitution. For example, the suspension and re-introduction of car park charging mechanisms, emergency community grant funding, discretionary grant funding etc.

In terms of the above, the CGG were satisfied that although the impact of COVID-19 was significant, in relation to the time period of this AGS, the impact is minimal. This will however need to be considered in more detail when developing the AGS for 2020/21. In line with the CIPFA briefing note, **lessons learned from responding to COVID-19 are important and will be included as a significant governance issue. This was discussed at a recent Overview and Scrutiny Committee where they were reviewing the Covid-19 Recovery Plan. It will be the intention to present a lessons learned report through this committee and it will be added to their work programme as a pending item.**

A key source of assurance for the AGS, is the work of internal audit. Although the team was deployed in the early stages of the COVID-19 response, reliance can be placed on the work of the team for the period of this AGS. Similar to the thread within this AGS, limitations to the work of internal audit as a result of their lengthy redeployment will need to be considered when developing next year's AGS. In terms of the internal audit work completed during 2019/20, the majority of the work completed concluded at least a 'satisfactory' level of assurance.

The one main area of concern was an unsatisfactory opinion issued in relation to the administration of Discretionary Housing Payments. The audit identified a combination of issues to conclude that opinion including; significant non-compliance with the approved policy - for example, not obtaining bank statements to support applications, errors in calculation, significant differentials relating to non-essential items and limited evidence that applicants over-occupying housing were

proactively looking for alternative housing. This was reported to Audit and Governance Committee on 29 July 2020. An update report was brought back to the committee on 23 September 2020 to confirm the recommendations were in the course of being implemented. These will be subject to a follow up review by the internal audit team. **Given the nature of the internal audit findings, this will be included as a significant governance issue.**

In their consideration, the CGG also recognised the importance of maintaining broad compliance with the General Data Protection Regulation (GDPR). A GDPR assurance audit undertaken by internal audit and reported to Audit and Governance Committee on 22 January 2020, concluded a ‘satisfactory’ level of control. It did recommend the council take stock of its GDPR journey since the implementation of the new regulation on 25 May 2018. Significant work had been undertaken prior to this date to ensure the council was compliant and this work is ongoing to maintain compliance. Internal audit recommended a new consolidated GDPR action plan be developed to provide focus moving forward. A number of GDPR incidents have also been reported and investigated recently with the majority determined as low risk. Overall, the CGG recognises the importance of GDPR and momentum needs to be maintained. A new action plan has been developed and endorsed by both the internal Corporate Governance Group and Information Board.

In the overall conclusion of the CGG, 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, particularly as a result of COVID-19,

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. The content of the AGS was signed off by the Corporate Governance Group at their meeting held on 5 October 2020.

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 • Publication of annual infrastructure funding statement 	September 2021	CIL Working Group (Head of Development as lead officer)
2 Local Code of Corporate Governance	Develop and approve a new code of governance.	April 2021	Head of Corporate Services
3 COVID-19	In line with the CIPFA briefing note undertake a lessons learnt analysis from responding to COVID-19.	March 2021	Corporate Management Team
4 Administration of Discretionary Housing Payments	Implementation of internal audit recommendations including; <ul style="list-style-type: none"> • Collection and assessment of evidence to support the integrity of DHP applications. • Review of the DHP policy including a review of non-essential items. • Independent verification check. 	December 2020	Revenues and Benefits manager

Signed on behalf of Tewkesbury Borough Council

Councillor Rob Bird
Leader of the Council

Date

Mike Dawson
Chief Executive

Date

Governance Framework – key documents/functions

- Council Plan
- Performance Management Framework
- Constitution & scheme of delegation
- Transform Programme
- Communication Strategy
- Constitution including financial procedure rules
- Record of Decisions
- Code of Conduct (Employees and Members)
- Officer and Member Protocols
- Code of Corporate Governance
- Risk Management Framework
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Project management framework
- ICT Governance
- Procurement Strategy
- Contract Procedure Rules
- Medium Term Financial Strategy
- Treasury Management policy
- Annual Statement of Accounts
- Complaints Framework
- Equalities Framework
- Internal and External Audit
- One Legal

Annual Governance Statement

Signed by the Leader of the Council and Chief Executive and published with the Statement of Accounts

Review and approval of AGS by Audit and Governance Committee

Council's assurance framework

Corporate Governance Group

responsible for drafting AGS after evaluating assurance framework

Review of the effectiveness of the system of internal control

Performance management and transformation

- Service plans
- Council plan and performance tracker
- Performance indicators
- Complaints
- Transform programme

Risk management

- Risk Management Strategy
- Corporate risk register
- Project management
- Business Continuity Plan
- Insurance

Legal and regulatory assurance

- Monitoring Officer function
- One Legal
- Whistle blowing
- Health & Safety
- Anti-fraud & corruption policy

Members' assurance

- Standards Committee
- Overview and Scrutiny Committee
- Audit and Governance Committee
- Declaration of interests
- Lead Member portfolios
- Code of conduct

Management assurance

- Management Team meetings
- Corporate Governance Group

Other source of assurance including 3rd party

- Ombudsman reports
- External reports e.g. peer review
- Shared services – client monitoring
- Counter fraud unit

Financial management

- Medium Term Financial Strategy
- Revenue and Capital monitoring
- Treasury Management Statement of Accounts
- Compliance with Codes of Accounting Practice
- Savings programme

Internal audit

- PSIAS
- Compliance Reporting to Audit and Governance Committee
- Audit opinion and recommendations
- Corporate improvement work
- Consultancy & advice

External audit

- Annual Plan
- Reporting to Audit and Governance Committee
- Audit Opinion and VFM conclusion
- Ad hoc reports
- Statement of accounts work

on-going assurance on adequacy and effectiveness of controls over key risks

Mike Dawson
Chief Executive
Tewkesbury Borough Council

