

### Gateshead Council

### Annual Governance Statement 2017/18

#### Scope of Responsibility

- 1 The 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs facilitating the effective exercise of its functions and which includes arrangements for the management of risk.
- 3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government:Framework*. A copy of the Code is on the Council's website at:  
  
<http://www.gateshead.gov.uk/Council%20and%20Democracy/About-the-Council/policies/governance.aspx>
- 4 This statement explains how the Council has complied with the Code and also meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

#### The Purpose of the Governance Framework

- 5 The Governance Framework comprises the systems, processes, culture and values by which the Council is directed and controlled and through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services. Good governance combines robust systems and processes, such as risk management, financial management, performance management and internal controls, with effective leadership based on openness and strong ethical standards to create a culture that underpins the delivery of the Council's new strategic approach, Making Gateshead a Place Where Everyone Thrives.
- 6 The system of internal control is a significant part of that framework and is 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 and impact of those risks being realised and to manage them efficiently, effectively and economically.

- 7 The Governance Framework has been in place at the Council for the year ended 31 March 2018 and approval of the Statement of Accounts 2017/18.

### **The Governance Framework**

- 8 The Council continually reviews and improves its Governance Framework and during 2017/18, it has been updated to take account of the following:
- Review of Local Code of Governance
  - Review of Corporate Counter Fraud and Corruption Arrangements
  - Policy on Criminal Offence of Tax Evasion
  - Implementation of GDPR
  - New Strategic Approach agreed, Making Gateshead a Place Where Everyone Thrives
  - Employee Disability Survey 2017
- 9 The Council continues to face a number of challenges managing significant budgetary pressures, whilst meeting increasing demand as a consequence of demographic changes and a rapidly changing policy context. It is anticipated that the scale and depth of these changes will continue until at least 2020, so the Council needs to ensure it can adapt with pace and purpose to continue to provide the best possible services to its residents.

### **Organisational Structures**

- 10 The Council's functions are delivered through the following service groups:
- Office of the Chief Executive
  - Care, Wellbeing and Learning
  - Communities and Environment
  - Corporate Services and Governance
  - Corporate Resources
- 11 The Gateshead Housing Company, the Council's arms length management organisation, are responsible for managing Council housing stock on behalf of the Council. They play a significant role in delivering the Council's priority outcomes. The main features of their governance and internal control arrangements are assessed each year through written assurance statements and their accounts have been consolidated into the Council's group accounts on a line by line basis.
- 12 A clear statement of the purpose and vision for Gateshead is set out in the Sustainable Community Strategy, Vision 2030, owned by the Gateshead Strategic Partnership and published on the Council's website. The Council's objectives are set out in the Council Plan 2015-2020, (to be replaced in 2018/19 with a new strategic approach, Making Gateshead a Place Where Everyone Thrives) which provides a framework to demonstrate how the Council will work and make decisions in the future which will be policy and priority led. These are translated into more specific aims and objectives in the business plans which each Council service prepares annually. The achievement of

these objectives is monitored by individual services and at a strategic level by the Cabinet and Overview and Scrutiny Committees.

- 13 The Council has a corporate performance management framework through which quality of service is measured via strategic outcome indicators. The Council's Corporate Management Team are leading on performance management with the development of a new balanced scorecard for the Council, which will be scrutinised every two months. Performance is also monitored by Group and Service management teams and scrutinised on a six-monthly basis by Overview and Scrutiny Committees, who invite portfolio holders into OSC for performance discussions as per Council Protocol 28. The Council has a performance management IT system which brings together performance indicators, action and financial information to provide real time reporting.
- 14 The Localism Act, 2011 introduced a duty on Councils to promote and maintain high standards of behaviour by members of the Council. While the Act removed the requirement to have a Standards Committee, the Council has set up a politically balanced Committee to deal with any such issues and this was combined with the Audit Committee during 2014/15 as part of the changes to the decision making structures. Employees are also subject to a Code of Conduct and number of specific policies as set out in the Employee Handbook.
- 15 Policy and decision making are facilitated by a clear framework of delegation set out in the Council's Constitution. This sets out, among other things, where responsibility lies for developing and delivering policy, and for taking decisions. The Constitution provides for extensive delegation to officers but within a policy framework laid down by the Council, and with the more significant executive decisions being taken by the Leader and Cabinet. The Constitution, which was updated to reflect the Council's new operational structure, is subject to an annual review which ensures it is up to date in terms of changes to Council policy, revised delegations and legislative changes.
- 16 Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk. The Audit and Standards Committee receives quarterly reports on risk management and takes appropriate action to ensure that corporate business risks are being actively managed; the Committee also receives the annual corporate risk management report and agrees the effectiveness of the Council's risk management arrangements.
- 17 The Strategic Director, Corporate Resources is designated as the responsible officer for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision-making; providing advice, particularly on financial impropriety and budget issues; giving financial information; and acting as the Council's money laundering reporting officer. It also extends to ensuring the financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

- 18 The Audit and Standards Committee reviews and approves the Council's Local Code of Governance; the original code was reviewed by the Audit and Standards Committees and approved by the full Council following referral from the Cabinet. The terms of reference for the Audit and Standards Committee state it will "*consider the effectiveness of the Council's risk management arrangements, the internal control environment and associated anti-fraud and anti-corruption arrangements*". The Committee reviews internal control and governance issues relating to the Council and submits an annual report to the Cabinet and Council, based on its activity over the year including the approval of the Annual Governance Statement.
- 19 Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every report submitted to a decision-making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making. This includes acting as the Council's Senior Information Risk Owner with overall responsibility for the Council's Information Governance procedures.
- 20 The Council maintains an independent Internal Audit Service. The Internal Audit Service is required to objectively examine, evaluate and report upon the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of the Council's resources. This is achieved through the delivery of a risk based annual audit plan which is agreed by the Audit and Standards Committee and monitored on a quarterly basis. The Chief Internal Auditor also prepares an annual report based on the work of the Internal Audit Service which provides an independent and objective opinion on the Council's control environment based on the work undertaken by the Service throughout the year. During 2014/15, the Internal Audit Services was externally assessed for compliance with Public Sector Internal Audit Standards. The outcome of the assessment was that the service is substantially compliant and identified no areas of concern that the Internal Audit Service is unable to form a judgement as to the proper and effective working of the Council's system of internal control. There were some minor areas for improvement which were not considered material to impact on the overall scope of operation of the Service and were actioned in 2015/16. The results of the assessment were reported to the Audit and Standards Committee on 26 January 2015.
- 21 The Council is committed to the training and development of all its councillors. All councillors are encouraged to take the opportunity to draw up a Personal Development Plan (PDP) which is monitored on an annual basis. The PDP helps to identify areas where individuals would like extra training or development. Councillors are also encouraged to attend training courses on specific issues including Ethics and Probity and Risk Management. In addition, a development pool has been established into which councillors can nominate themselves, to further develop their chairing skills. The Council has for many years, provided an induction programme for new councillors, giving the opportunity to meet with the Chief Executive and senior officers of the Council. The aim of the programme is to give an insight into how the Council works and the different services it provides to residents.

22 A Corporate Partnership Register is maintained which is updated by Strategic/Service Directors in a timely manner and then reviewed on an annual basis. A guidance document is available to Strategic/Service Directors to support the maintenance of the register. Examples of partnerships on the register include the Gateshead Strategic Partnership, the Local Safeguarding Children Board and the South Tyne & Wear Waste Management Partnership. A risk assessment model has been developed to assess the strength of each partnership arrangement in respect of governance, financial arrangements, reputation and delivery. The most significant partnerships to the Council have been identified from the Partnership Register and risk assessments have been completed by the relevant Strategic/Service Director for each of these.

### **Review of Effectiveness**

23 The Accounts and Audit Regulations 2015 and the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework have established requirements that all local authorities must adhere to in relation to governance arrangements. The Council must ensure that it has a sound system of internal control which:

- Facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- Ensures that the financial and operational management of the Council is effective; and
- Includes effective arrangements for the management of risk.

24 The Council must, each financial year, conduct a review of the effectiveness of the system of internal control and to include the results in an Annual Governance Statement which accompanies the Statement of Accounts.

25 The review of the effectiveness of governance arrangements is informed by:

- The opinion of the Members of the Cabinet;
- The work of senior managers within the Council who have responsibility for the development and maintenance of the governance environment;
- An assessment of the Systems of Internal Audit, incorporating a review of the Internal Audit Service and the Audit and Standards Committee, and the Chief Internal Auditor's annual report;
- Corporate Risk Management arrangements;
- The robustness of Performance Management and Data Quality information;
- Views of the external auditor and other external inspectorates;
- Assurance from the Strategic Director, Corporate Services and Governance on the operation of Council's Legal and Regulatory Framework;
- Assurance from the Strategic Director, Corporate Resources on the operation of the Council's financial controls;
- Partnership governance arrangements; and
- Counter fraud and corruption arrangements.

26 The Council's Constitution sets out the role of the Leader and Cabinet as follows:

- To lead change and make recommendations for change to the Council, in consultation with a wide range of stakeholders;

- To ensure that the Council's priorities within the policy framework and budget are implemented, making decisions within that framework where appropriate;
- To monitor the implementation of the budget and policy framework through taking a lead role on Best Value and through co-ordination with the Overview and Scrutiny role; and
- To provide a public face on specific issues.

- 27 The Council's Local Code of Governance is reviewed regularly and was last approved by the Audit and Standards Committee on 29 January 2018. Assurance was sought from Councillors who serviced in the Cabinet during 2017/18, in the form of a self-assessment statement, on the effectiveness of the Council's corporate governance arrangements. A report was presented to the Audit and Standards Committee on 18 June 2018 in which all Members of the Cabinet considered that governance arrangements are effective.
- 28 Service Directors have carried out self-assessments of the processes, controls and governance arrangements they have in place to allow them to achieve their service objectives. These included considerations of the effectiveness of internal controls. A report was presented to the Audit and Standards Committee on 18 June 2018 which concluded that, based on the self- assessments, Service Directors agree that effective controls were in place.
- 29 The Chief Internal Auditor reports to the Council's Strategic Director, Corporate Resources, but to ensure independence has direct and unfettered access to the Chief Executive, the Strategic Director, Corporate Services and Governance (Monitoring Officer), and the Chair of the Audit and Standards Committee. A review of the effectiveness of Internal Audit, incorporating the Internal Audit Service and the Audit and Standards Committee, has been undertaken and was reported to the Audit and Standards Committee on 18 June 2018. This included an assessment of compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2010) and compliance with Public Sector Internal Audit Standards. This review concluded that the Council's system of internal audit is considered to be effective, which in turn allows the opinion of the Chief Internal Auditor to be relied upon.
- 30 The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control, risk management and governance arrangements which was incorporated in the Annual Internal Audit Report to the Audit and Standards Committee on 18 June 2018. This opinion is based on 63 audit reviews undertaken during the year which found all systems reviewed to be operating well or satisfactorily, except in seven cases where significant weaknesses were identified. These weaknesses were in specific areas and as such there are no areas for improvement disclosed in this statement for 2017/18 as a result of the work of the Internal Audit Service.
- 31 The Chief Internal Auditor is also the Chief Internal Auditor for the Gateshead Housing Company, and on this basis, provides an independent opinion on the adequacy of the Company's internal control systems based on the Internal Audit reviews carried out during the year. Based on evidence arising from Internal Audit activity during 2017/18, the opinion of the Chief Internal Auditor reported to the Housing Company's Audit

Committee 4 July 2018 is that the Company's internal control system is considered to be effective.

- 32 The Annual Risk Management Report was presented to the Audit and Standards Committee on 18 June 2018 which concluded that risk management arrangements are effective.
- 33 Regular reports on performance management information and data quality have been considered by Overview and Scrutiny Committees and Cabinet over the course of the year in accordance with the Council's performance management framework. Based on the information provided during the year and internal reviews of data quality, effective controls are in place.
- 34 Assurance on the effectiveness of the Council's legal and regulatory framework has been provided by the Strategic Director, Corporate Services and Governance, who as Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. Compliance with established policies, procedures, laws and regulations is ensured by the requirement in the Constitution to give the Chief Executive, the Monitoring Officer and the Chief Finance Officer the opportunity to comment on every committee report submitted to a decision-making body. No areas of significant non-compliance have occurred during 2017/18.
- 35 Assurance on the effectiveness of the Council's financial controls has been provided by the Strategic Director, Corporate Resources (Chief Financial Officer) who is designated as the responsible officer for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972. Effective systems are in place to ensure the lawfulness and financial prudence of decision-making and to fully discharge the responsibilities of the role. The financial arrangements in place conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- 36 Service Directors review partnerships within their business plans on an annual basis. As partners are key to the delivery of the Council's objectives, assurance of their control and governance systems is required. The corporate guidance on managing partnerships effectively was updated in 2014 and is reviewed on an annual basis. The consensus amongst Service Directors was that all Partnership Arrangements have been established in compliance with the Council's Guide to Partnership Working. In addition the most recent review of this area by the Internal Audit Service found it to be satisfactory.

**Actions Taken to Improve Governance Following Previous Annual Governance Statement**

<b>Governance Issue</b>	<b>Planned Action</b>	<b>Action Taken</b>	<b>Outstanding Matters</b>
<p>Strengthen Council approach to managing the risk of Fraud and Corruption</p>	<p>Review the Council's Fraud and Corruption Policy</p> <p>Develop an appropriate counter fraud and corruption strategy to mitigate the identified risks of fraud and corruption</p> <p>Provide resources to implement the strategy</p> <p>Take action in response to fraud and corruption</p>	<p>Overall Counter Fraud and Corruption Arrangements, including a revised Counter Fraud and Corruption Policy and Fraud Response Plan, and a first Counter Fraud and Corruption Strategy, were agreed by Council in March 2018</p> <p>Communication strategy drafted to embed the Counter Fraud culture with stakeholders</p> <p>Two dedicated Corporate Fraud Officers appointed and trained</p>	<p>Delivery of Communication Strategy and strengthen with awareness training where beneficial</p>
<p>CIPFA issued new guidance in April 2016, Delivering Good Governance in Local Government: Framework</p>	<p>A fundamental review and redraft of the Councils' Local Code of Governance to get the best value from the CIPFA Guidance</p>	<p>A new Code was developed by reference the CIPFA Guidance, following workshop sessions with the Council's Leadership Team and Councillors to ensure buy in to the updated Code. This was then approved by the Audit and Standards Committee</p>	<p>None</p>

## Action Plan for 2018/19

<b>Governance Issue</b>	<b>Planned Action</b>	<b>Responsible Officer</b>
Strengthen Council approach to managing the risk of Fraud and Corruption	Delivery of Counter Fraud Communication Strategy and strengthen with awareness training where beneficial  Develop Fraud Management System	Strategic Director, Corporate Resources
Reviewing Governance arrangements to maximise support for Making Gateshead a Place Where Everyone Thrives	Review of Performance Management Framework in line with the new Thrive agenda	Service Director, Policy, Performance and Communication
Ensure the Risk Management Strategy continues to contribute to delivery of the Council's Strategic objectives	Review and develop risk management arrangements to consider risk appetite and support for Making Gateshead a Place Where Everyone Thrives	Strategic Director, Corporate Resources

### Opinion on Governance Arrangements

37. Based on the review of the Council's governance arrangements during 2017/18, including the internal control and risk management environments, the opinion is that the Council's governance arrangements continue to be regarded as fit for purpose.

### Joint Statement by the Leader of the Council and the Chief Executive

38. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Standards Committee on 18 June 2018 and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

**Signed:**

**Signed:**

**Councillor Martin Gannon**

**Sheena Ramsey**

**Leader of the Council**

**Chief Executive**

**Dated:**

**Dated:**