

## *AUDIT AND STANDARDS COMMITTEE AGENDA*

**Tuesday, 20 June 2023 at 4.00 pm in the Whickham Room - Civic Centre**

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From the Chief Executive, Sheena Ramsey

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Item	Business
1	<b>Constitution</b> (Pages 3 - 4)  Report of the Chief Executive
2	<b>Apologies for Absence</b>
3	<b>Minutes</b> (Pages 5 - 8)  The Committee are asked to approve the minutes of the meeting held on 25 April 2023
4	<b>Declarations of Interest</b>  Members of the Committee are invited to declare interests in any agenda items.
5	<b>Treasury Annual Report 2022/23</b> (Pages 9 - 22)  Report of the Strategic Director, Resources & Digital
6	<b>Members Assurance Statement 2022/23</b> (Pages 23 - 24)  Report of the Strategic Director, Resources and Digital
7	<b>Managers Assurance Statement 2022-23</b> (Pages 25 - 30)  Report of the Strategic Director, Resources and Digital
8	<b>Review of Effectiveness of Internal Audit 2022/23</b> (Pages 31 - 44)  Report of the Strategic Director, Resources and Digital
9	<b>Corporate Risk Management - Annual Report 2022/23</b> (Pages 45 - 74)  Report of the Strategic Director, Resources and Digital
10	<b>Exclusion of the Press and Public</b>  The Committee may wish to exclude the press and public from the meeting during consideration of Items 11 and 12 in accordance with paragraph 7 of Schedule 12A to the Local Government Act 1972.

- 11 Counter Fraud Arrangements - Annual Report 2022/23** (Pages 75 - 82)  
Report of the Strategic Director, Resources and Digital
- 12 Internal Audit Annual Report 2022-23** (Pages 83 - 90)  
Report of the Strategic Director, Resources and Digital
- 13 Re-admittance of the Press and Public**  
The Committee is asked to re-admit the press and public to the meeting
- 14 Annual Governance Statement 2022/23** (Pages 91 - 106)  
Report of the Strategic Director, Resources and Digital
- 15 Date and time of next meeting**  
Tuesday 25 July 2023 at 4.00 pm

Contact: Helen Wade Tel: 0191 433 3993 - Email: [helenwade@gateshead.gov.uk](mailto:helenwade@gateshead.gov.uk)  
Date: Monday, 12 June 2023



**AUDIT & STANDARDS COMMITTEE**  
**20 June 2023**

**TITLE OF REPORT:**       **Constitution**

**REPORT OF:**               **Sheena Ramsey, Chief Executive**

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The constitution of the Committee and the appointment of the Chair and Vice Chair as approved by the Council for the 2023/24 municipal year is as follows:

**Chair**                       Councillor Leigh Kirton  
**Vice Chair**               Councillor Rachel Mullen

**Councillors**             Councillor Ron Beadle  
                                  Councillor Linda Green  
                                  Councillor Hugh Kelly  
                                  Councillor John McElroy  
                                  Councillor Chris Ord

**Independent**            Mr Stuart Bell  
**Member(s)**             Mr Ian Dormer

**Recommendation**

The Committee is asked to note the information.

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**Contact:**   **Helen Wade**

**Extension:** 3993

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**GATESHEAD METROPOLITAN BOROUGH COUNCIL**  
**AUDIT AND STANDARDS COMMITTEE MEETING**

**Tuesday, 25 April 2023**

**PRESENT:** Councillor L Kirton (Chair)  
Councillor(s): R Mullen, J McElroy, H Kelly, L Green, R Beadle  
Independent Member(s): Mr S Bell  
Mr I Dormer

**ASC435 MINUTES**

The minutes were approved as a correct record.

It was confirmed that the amendments to the Treasury Management report picked up at the previous Committee will be amended in the report to Cabinet without any reference as it was not a significant amendment and does not affect the decision.

**ASC436 DECLARATIONS OF INTEREST**

There were no declarations of interest.

**ASC437 EXTERNAL AUDITOR: AUDIT PROGRESS REPORT**

The Committee received a report requesting them to note the external auditor's progress in delivering their responsibilities as external auditor and presents for information a summary of recent reports and publications.

The report outlined:

- Audit Progress
- National Publications

The external auditor's report was appended to the main report at Appendix A.

The External Auditor reported that the 2021/22 Accounts have still not been signed off due to outstanding issues with the actuarial valuation of the Pension Fund, which is an issue for all Tyne and Wear Pension Fund authorities and is a national issue. It is not within the gift of either the Council or the External Auditor to resolve.

- RESOLVED -
- i) That the information be noted
  - ii) The Committee requested that a Members Seminar be organised to receive an update on the 'Local Leadership Framework for Councillors' (LGA)

**ASC438 INTERNAL AUDIT CHARTER, STRATEGY STATEMENT AND ANNUAL PLAN 2023/24**

The Committee received a report which set out the proposed Internal Audit Charter, Strategy Statement Annual Plan of work to be undertaken by the Internal Audit & Risk Service in 2023/24.

The Internal Audit Charter was attached as Appendix A for information. It was last circulated to Committee in April 2022.

The Chief Internal Auditor has carried out an annual review of the Internal Audit Charter and confirmed that it continues to reflect best practice and no amendments are required.

The Audit Strategy Statement and the Annual Plan for 2023/23 was attached at Appendix B.

The audit plan is developed based on a systematic review and evaluation of all aspects of the internal control environment.

The 2023/24 plan includes adequate flexibility to address emerging risks as well as provide assurance in high risk, key financial, IT and governance functions.

The plan for 2023/24 has been broken down into 21,801 productive hours.

Appendix B summarised the plan between Groups and Services and also by audit types. Appendix C broke the plan down into individual audits.

The plan is flexible and includes time for advice and consultancy, which ensures the plan maintains focus on emerging risks and that assurance is continually focused on the most important risks to the Council, retaining flexibility to reprioritise assurance activities as required.

- RESOLVED -
- i) That the information be noted.
  - ii) That the report be noted and the opinion that the Internal Audit Charter continues to comply with Public Sector Internal Audit Standards.
  - iii) The Committee agreed that the Audit Strategy Statement and the Annual Plan of work to be provided by the Internal Audit & Risk Service for 2023/24, and
  - iv) The Committee agreed to receive quarterly monitoring reports showing progress made against the plan.

**ASC439 CORPORATE RISK MANAGEMENT 2022/23 - QUARTER 4 UPDATE**

The Committee received a report which provided an update on Corporate Risk Management during the period 1 January 2023 to 31 March 2023.

In November 2018, Cabinet and Council approved a revised Strategic Risk Register which had been presented to Audit and Standards Committee on 1 October 2018. The Corporate Management Team has continued to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register.

The Committee were advised that there have been no changes to the Strategic Risk Register in the fourth quarter 2022/23. Activity has recently commenced to research North East regional councils around strategic risk and the approaches taken to link with corporate priorities to inform a review of our own Strategic Risk Register.

The current Strategic Risk Register was attached for information at Appendix 1.

The Committee were advised that all Business Impact Assessments (BIA) have been reviewed bi-annually since the start of the pandemic in March 2020 with the most recent review in November 2022, with the next review planned for action by services during April and May 2023. This exercise uses the agreed corporate Business Continuity Framework to allow Services to assess which activities might require additional support to strengthen resilience and estimate the officer numbers and skills that might be needed as the organisation moves into the spring and summer months.

Business Continuity Plans are revised accordingly to mitigate and, as far as possible, shape the response to any threats to the delivery of key activities with a focus on activity that could not be interrupted for more than 48 hours without critical impact.

Quarterly audit and risk reports are provided to Group Management Teams to highlight the critical activities for which services have developed continuity plans.

The Committee were advised that the Corporate Risk and Resilience Group last met on 18 April 2023. The following items were considered:

- Business Impact Assessment and Business Continuity Plan seasonal refresh
- Cyber Security
- Resilience and emergency planning including an update on a national planned power outages and participation event held in March 2023
- Updates from Groups and Services

RESOLVED -     i)     That the information be noted  
                  ii)     The Committee were satisfied with the effectiveness of the Council's risk management arrangements

#### **ASC440     EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED -     That the press and public be excluded from the meeting during the

consideration of the remaining business in accordance with Paragraph 3 of Schedule 12A to the Local Government Act 1972

**ASC441 INTERNAL AUDIT PLAN 2022/23 QUARTERLY MONITORING REPORT TO 31 MARCH 2023**

The Committee received a report outlining progress made by the Internal Audit & Risk Service against the audit plan for the financial year 2022/23 and summarises the main findings arising from the audit activity throughout the period 1 January 2023 to 31 March 2023.

The Committee received a table for information showing the progress made up to 31 March 2023 against the agreed audit plan for the financial year 2022/23.

The table demonstrated the completion of 92% of the audit plan, in terms of actual audit hours against planned hours to date. Adjusting for the work of external bodies, this equates to 93% for the Council which is below the annual local performance target of 97.25% of actual hours completed against the planned hours for the year. The main reason for being slightly below the target is delays experienced in recruiting to vacant posts.

The Committee received the summary of main findings arising from the audit activity during the period which was attached to the main report at Appendix A. A total of 25 assignments were completed during the period. Of the work completed the conclusion in seven cases was operating well, 15 satisfactory and three significant weakness.

From the reviews carried out to 31 March 2023 audit work was found to be complying with PSIAS and the Audit Manual.

Paragraph 13 of the report set out the key performance information. All targets were achieved or exceeded with the exception of productive or chargeable time which was recorded at 71.5% of overall time against an annual target of 72% of overall time which was due to training of new appointments, the additional bank holiday and higher than anticipated staff absences due to sickness.

RESOLVED – That the information be noted.

**ASC442 DATE AND TIME OF NEXT MEETING**

Tuesday 20 June 2023 at 4.00 pm in the Whickham Room.

**Chair.....**



**Title of Report:** Treasury Annual Report 2022/23

**Report of:** Darren Collins – Strategic Director, Resources & Digital

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### **Purpose of the Report**

1. This report asks the Audit and Standards Committee to review the proposed Treasury Annual Report prior to consideration by Cabinet.

### **Background**

2. In line with what the Government defines as best practice and the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management, the Council must consider a Treasury Annual Report each year.
3. The attached Treasury Annual Report has been prepared taking into account the Local Government Act 2003, Ministry of Housing, Communities and Local Government 's (MHCLG) Guidance on Local Government Investments, CIPFA's Prudential Code for Capital and CIPFA's Code of Practice on Treasury Management (2021). The document is also consistent with the Council's approved Treasury Management Policy and Strategy, which require an annual report to be presented to Council prior to the end of September each year.

### **Proposals**

4. The Committee is asked to review the Treasury Annual Report attached at Appendices 2, 3 and 4 to ensure that the Council fully complies with the requirements of good financial practice in Treasury Management.

### **Recommendation**

5. The Committee is asked to review the content of the Treasury Annual Report and submit any comments to Cabinet.

For the following reason:

To ensure that the Council fully complies with the requirements of Financial Regulations and good practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Treasury Management.

## Policy Context

1. The proposals in this report are consistent with Council priorities and in particular the priority of ensuring a sustainable Gateshead through ensuring the best use of its resources. The proposals are consistent with the framework for achieving the Council's new strategic approach "Making Gateshead a Place Where Everyone Thrives". The Council recognises there are huge financial pressures on not just Council resources but those of partners, local businesses and residents.

## Background

2. The Council fully complies with the requirements of good practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its Code of Practice on Treasury Management and its Prudential Code for Capital Finance and the Ministry of Housing, Communities and Local Government (MHCLG) Guidance on Local Authority Investments, which include the:
  - Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
  - Creation and maintenance of Treasury Management Practice Statements which set out the manner in which the Council will seek to achieve those policies and objectives;
  - Receipt by the Council of an annual strategy report for the year ahead and an annual review report of the previous year;
  - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions; and
  - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to Audit and Standards Committee and receipt of a mid-year review report to Council.
3. Comprehensive details of procedures in place to ensure compliance with the Code are included within the Council's Treasury Management Practices and these procedures are followed without exception.
4. Treasury Management in this context is defined as:
 

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
5. Taking into account the annual reporting requirements stipulated in the Code of Practice, this Annual Treasury Report covers:
  - The strategy for 2022/23 (including investment and borrowing strategies);
  - Treasury Management approach to risk;
  - Outturn 2022/23 performance measurement (including market interest rates, investment and borrowing performance and compliance with treasury limits set prior to the start of the financial year as Prudential Indicators);
  - Any restructuring and repayment; and
  - Summary of Treasury Management performance for the year 2022/23.

## Consultation

6. Consultation on the production of the Treasury Annual Report has taken place with the Council's treasury advisors Link Treasury Services. The outcome of the consultation process, along with guidance issued by CIPFA, has informed the format and content of the annual report.

## Alternative Options

7. There are no alternative options, as the Treasury Annual Report is required in order to comply with CIPFA's Code of Practice on Treasury Management.

## Implications of Recommended Option

### 8. Resources:

- a) **Financial Implications** - The Strategic Director, Resources & Digital confirms that there are no direct financial implications associated with this report. The Annual Report sets out a financial summary of Treasury Management activity for the 2022/23 financial year end and compares this to budget.
- b) **Human Resources Implications** - There are no human resources implications arising from this report.
- c) **Property Implications** - There are no property implications arising from this report.

### 9. Risk Management Implications

The Treasury Annual Report has been prepared to report on performance against the annual Treasury Policy and Strategy. These are prepared with the primary objective of safeguarding the Council's assets and a secondary objective of maximising returns on investments and minimising the costs of borrowing.

### 10. Equality and Diversity Implications

There are no equality and diversity implications arising from this report.

### 11. Crime and Disorder Implications

There are no crime and disorder implications arising from this report.

### 12. Sustainability Implications

There are no sustainability implications arising from this report.

### 13. Human Rights Implications

There are no human rights implications arising from this report.

### 14. Area and Ward Implications

There are no direct area and ward implications arising from this report.

## 15. **Background Information:**

The following documents have been relied on in the preparation of the report:

- Local Government Act 2003
- MHCLG Guidance on Local Government Investments (2018)
- CIPFA's Prudential Code for Capital (2021)
- CIPFA's Code of Practice on Treasury Management (2021)
- Council's approved Treasury Policy & Strategy Statements 2022/23 to 2026/27
- Council's approved Treasury Management Practice Statements

## Treasury Management Annual Report 2022/23

### The Strategy for 2022/23

1. The 2022/23 to 2026/27 Treasury Management Strategy was approved by Council on 24 March 2022.
2. The formulation of the 2022/23 to 2026/27 Treasury Management Strategy involved determining the appropriate borrowing and investment decisions with the primary objective of safeguarding the Council's assets and a secondary objective of maximising returns on investments and minimising the costs of borrowing.
3. The Treasury Management Strategy fully complies with the requirements of CIPFA's Treasury Management Code of Practice and covered the following:
  - prospects for interest rates;
  - treasury limits in force including prudential indicators;
  - the borrowing strategy;
  - the extent of debt rescheduling opportunities; and
  - the investment strategy.

### Investment Strategy

4. Part 1 of the Local Government Act 2003 relaxed the constraints under which local authorities can invest. These investment regulations came into force on 1 April 2004 and in conjunction with supplementary guidance are considered best practice.
5. Investments are managed in-house using counterparties listed in an approved lending list. Investments are placed over a range of periods and are dependent on the assessed security of the counterparty, the liquidity requirements of the cash flow, interest rate expectations and the interest rates actually on offer.
6. The expectation for interest rates within the Treasury Management Strategy for 2022/23 to 2026/27 anticipated interest rates to increase from 0.50% to 1.25% by March 2023 as part of a prolonged economic recovery. During the 2022/23 financial year the Bank of England Monetary Policy Committee (MPC) increased the base rate as follows:

Date	Bank Base Rate
5 May 2022	1.00%
16 June 2022	1.25%
4 August 2022	1.75%
22 September 2022	2.25%
3 November 2022	3.00%
15 December 2022	3.50%
2 February 2023	4.00%
23 March 2023	4.25%

## **Borrowing Strategy**

7. The borrowing strategy for 2022/23 was as follows:
- Current (February 2022) long term PWLB rates (50 years) are around 2.11%. It is forecast that there will be little upward movement in PWLB rates over the next two financial years, being 2.30% Q1, 2.30% Q2, 2.40% Q3 and 2.40% Q4. Should interest rates fall below these targets borrowing should be considered, with preference given to terms which ensure a balanced profile of debt maturity, this may include Local Infrastructure Rate borrowing. The average interest rates forecast across this financial year for various borrowing periods are as follows: -
    - 10 years – 2.40%
    - 25 years – 2.55%
    - 50 years – 2.35%
  - The use of short-term borrowing (6 months to 18 months) will also be considered with the aim of minimising borrowing costs. This short-term borrowing will be replaced with longer term loans when rates are preferable.
  - External borrowing rates currently far exceed the return that is available for investments, meaning savings can be achieved by borrowing internally from reserves in the short term. The current policy of internal borrowing will continue to be followed as a short-term funding option serving to minimise overall cost.
  - Consideration will be given to borrowing market loans which are at least 20 basis points below the PWLB target rate.
8. Any potential opportunities for repaying debt before the maturity date to reduce borrowing costs was monitored and assessed throughout the year. However, the cost of premiums on any early repayment of debt was considered prohibitive for any debt restructuring.

## **Treasury Management Approach to Risk**

9. The primary objective is to safeguard the Council's assets. Procedures have been put in place to ensure this takes place and these are fully documented in the Council's Treasury Management Practice Statements (TMPS), which are constantly kept under review. These procedures are followed without exception. The Internal Audit report of 23 December 2022 concluded that Treasury Management control systems and procedures are working well. All funds were safeguarded in 2022/23.

## **Outturn 2022/23 – Performance Measurement**

10. It should be noted that procedures in relation to the Prudential Code were effective from 1 April 2004 and continue to apply to this report on 2022/23 performance. The performance, against limits in respect of borrowing set prior to the start of the financial year as Prudential Indicators, will be reported to Cabinet on 18 July 2023 as part of the Capital Monitoring process. None of the approved Prudential Indicators set for 2022/23 were breached in the year. For completeness the Prudential Indicators are shown at Appendix 4.

## Market Interest Rates

11. Performance must be considered in conjunction with actual rate movements over the financial year which were as follows:
  - **Shorter-term interest rates** – The expectation for interest rates within the 2022/23 Treasury Management Strategy was that Bank Rate would gradually increase during the financial year to 1.25% in March 2023. During the financial year the MPC significantly increased the base rate, with eight rate increases leaving the bank base rate at 4.25% at year-end 31 March 2023. The increases were made as a direct response to significant changes in the global economic environment, the conflict in Ukraine and the increase in inflation to 10.1% CPI by March 2023.
  - **Longer-term interest rates** – Investment returns increased significantly during 2022/23 as a direct result of the of economic factors mentioned above and the increases in bank base rates. Due to ongoing global inflationary pressures and the conflict in Ukraine it is anticipated increases in the base rate may follow throughout the current financial year before starting to reduce.

## Investment Performance

12. There has been a continued use of a range of investment instruments in order to ensure flexibility, spread risk, maximise liquidity and obtain attractive rates. There has been an increased use of overnight deposits and money market funds with high rated banks to maintain the security of the funds and enhance the rate of return on investments.
13. The most significant challenge for treasury management in 2022/23 has been to consider the spread of and return on investments in an environment where regular increases in bank rates have generated additional returns, whilst ensuring the security of investments. Due to the difference between the cost of borrowing and potential to generate investment interest the Council has continued to use investment balances to temporarily fund the capital programme. This has delivered a saving on borrowing costs and increased interest received on investments.
14. The Council's investment policy is governed by MHCLG guidance, which has been implemented in the annual investment strategy approved by the Council on 24 March 2022. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.) The investment activity during the year conformed to the approved strategy and the Council had no liquidity difficulties.
15. A summary of the year's activity is shown at Appendix 3. The investment interest earned in the year was £2.899m (2021/22 £0.307m) with an average interest rate of 2.25% (2021/22 0.25%). Interest earned on loans to third parties, agreed as part of the capital programme and £0.814m accrued interest on loan notes, in respect of Newcastle International Airport, increased total interest to £4.433m, £2.353m more than the original budget of £2.080m.
16. The overall return for the year of 2.25% matches the accepted benchmark for 2022/23, which was the SONIA (Sterling Overnight Index Average) of 2.25%. The average rate of return for new investments made in 2022/23 was 2.76%.

17. Furthermore, the Council is a member of Link Treasury Services Investment Benchmarking Group which assesses both the rate of return and the risk of the counterparty to calculate a weighted average rate of return. This is used for comparison across other local authorities who also subscribe to this service across a number of groups. The Council achieved an average return of 2.25% on its investments for 2022/23, this is slightly above the risk adjusted expectations defined in the LINK Benchmarking Report for our group.

### Borrowing Performance

18. The total external borrowing at 31 March 2023 was £684.966m, which was within the operational borrowing limit of £895.000m. This is a net increase of £18.894m from the opening figure of £666.072m.

<b>External Borrowing at 31 March 2022</b>	<b>£666.072m</b>
Add New Borrowing	£20.00m
Less Maturity of existing borrowing	(£1.106m)
<b>External Borrowing at 31 March 2023</b>	<b>£684.966m</b>

19. Investment returns/interest rates increased significantly during 2022/23 and rose to levels closer to long term borrowing rates. Therefore, value for money considerations indicated that best value could be obtained by delaying new external borrowing by using internal cash balances to finance new capital expenditure in the short term (this is referred to as internal borrowing).
20. At the end of the financial year 2022/23 the Council had internal borrowing of £73.680m. This comprised of £48.642m General Fund under borrowing and £27.038m HRA under borrowing. Any short-term savings gained from adopting this approach was weighed against the potential for incurring additional long-term costs by delaying new external borrowing until later years when PWLB long term rates are forecast to be lower.
21. The Council's underlying need to borrow for capital expenditure and long-term liabilities is termed the Capital Financing Requirement (CFR). The CFR arises directly from the capital activity of the Council and the resources applied to fund the capital spend, as follows:

<b>Capital Financing Requirement (excluding PFI)</b>	<b>31 March 2022 Actual £m</b>	<b>31 March 2023 Actual £m</b>
General Fund	386.191	415.141
HRA	345.505	345.505
<b>Total Capital Financing Requirement excluding PFI</b>	<b>731.696</b>	<b>760.646</b>

22. At 31 March 2023 £636.966m of the total borrowing was from the PWLB and £48.000m was in the form of market loans. The average interest rate on current borrowing has decreased from 3.564% in 2021/22 to 3.523% during 2022/23 due to the maturing of higher rate borrowing.
23. No short-term borrowing was taken during 2022/23. Long-term borrowing of £20.000m was taken during 2022/23, all HRA.
24. The overall revenue cost of borrowing in 2022/23 was £24.250m, as a result of the application of the Treasury Management Strategy this was £1.075m less than the budget.



## Debt Restructuring & Repayment

25. Due to the reintroduction of redemption rates on the early repayment of PWLB debt it was anticipated that there would be little scope to restructure PWLB debt.
26. The rates payable on the early redemption of debt was monitored throughout the year. The cost of early repayment of PWLB loans outweighed any savings and therefore there was no early redemption of PWLB debt.
27. The council has some borrowing through LOBO and market loans. No calls have been made on the LOBO borrowing.

## Summary of Treasury Management Performance for the Year 2022/23

28. Total interest income was £2.413m above budget, the main variances from budget was due to the significant increases in bank base rates during the financial year and the receipt of interest from Newcastle Airport.
29. Overall Treasury Management performance against budget for 2022/23 generated net savings of £3.488m, this is summarised in the following table:

		2022/23		
		Budget	Actual	Saving
		£m	£m	£m
<b>General Fund</b>	Cost of Borrowing	13.316	12.179	(1.137)
	Interest Income	(2.080)	(4.433)	(2.353)
	<b>Net Position</b>	<b>11.236</b>	<b>7.746</b>	<b>(3.490)</b>
<b>HRA</b>	Cost of Borrowing	12.009	12.071	0.062
	Interest Income	(0.060)	(0.120)	(0.060)
	<b>Net Position</b>	<b>11.949</b>	<b>11.951</b>	<b>0.002</b>
<b>Combined</b>	Cost of Borrowing	25.325	24.250	(1.075)
	Interest Income	(2.140)	(4.553)	(2.413)
	<b>Net Position</b>	<b>23.185</b>	<b>19.697</b>	<b>(3.488)</b>

Treasury Management was challenging throughout 2022/23 as the economic environment frequently changed during the financial year. The investment rate increases meant the Council was faced with the challenge of being pro-active in the investment of surplus cash. The Council's cashflow projections were monitored to allow the appropriate balance between maintaining cash for liquidity purposes and "laddering" deposits on a rolling basis to lock in rate increases.

The report highlights the way in which the Council successfully managed these challenges with its day-to-day treasury management strategy and thus delivered the savings highlighted in the table whilst keeping treasury risks to a minimum throughout.

## Investment Activity

	2021/22	2022/23
Number of investments made in 2020/21 maturing in 2021/22	14	n/a
Number of investments made in 2021/22 maturing in 2021/22	50	n/a
Number of investments made in 2021/22 maturing in 2022/23	n/a	27
Number of investments made in 2022/23 maturing in 2022/23	n/a	54
Total number of investments maturing in year	64	81
Number of investments made in 2022/23 maturing in 2023/24	n/a	19
Average duration of investments (including overnight)	18 days	10 days
Average duration of investments (excluding overnight)	153 days	137 days
Non-specified investments:		
Rated non-high		
Approved limit	25%	25%
Maximum level invested	5.81%	19.57%
Not Rated		
Approved limit	0%	0%
Maximum level invested	0.00%	0.00%
Investments greater than 364 days		
Approved limit	£15m	£15m
Maximum level Invested	£0m	£0m
Treasury Investments held at 31 <sup>st</sup> March	£144.093m	£71.904m

**PRUDENTIAL INDICATORS 2022/23**

The 2022/23 Prudential Indicators were agreed by Council on 22 February 2022 (column 1). This is now compared with the 2022/23 actual outturn position as at the 31 March 2023 (column 2).

Certain Treasury Management indicators must be monitored throughout the year on a regular basis in order to avoid breaching agreed limits. The capital expenditure and capital financing requirement indicators have been revised in line with the revised budget and none of the other approved Prudential Indicators set for 2022/23 have been breached.

<b>Capital Expenditure</b>		
	2022/23 £000 Reported Indicator	2022/23 £000 Actual
Non-HRA	124,432	56,745
HRA	22,281	20,625
<b>Total</b>	<b>146,713</b>	<b>77,370</b>
To reflect the reported capital monitoring agreed by Council during the year		

<b>Ratio of Financing Costs to Net Revenue Stream</b>		
	2022/23 Reported Indicator	2022/23 Actual
Non-HRA	17.37%	11.57%
HRA	34.24%	38.69%

<b>Capital Financing Requirement</b>		
	2022/23 £000 Reported Indicator	2022/23 £000 Actual
Non-HRA	481,100	415,141
HRA	345,505	345,505

There were no breaches to the Prudential Indicators set for 2022/23.

<b>Authorised Limit for External Debt</b>	
	2022/23 £000 Reported Indicator
Borrowing	895,000
Other Long Term Liabilities	0
<b>Total</b>	<b>895,000</b>
Maximum YTD 31/03/23 £684.966m	

<b>Operational Boundary for External Debt</b>	
	2021/22 £000 Reported Indicator
Borrowing	880,000
Other Long Term Liabilities	0
<b>Total</b>	<b>880,000</b>
Maximum YTD 31/03/23 £684.966m	

The Council's actual external debt at 31 March 2023 was £684.966m. It should be noted that actual external debt is not directly comparable to the Authorised Limit and Operational Boundary, since the actual external debt reflects the position at one point in time.

***Estimated Incremental Impact on Council Tax and Housing Rents***

This indicator is set at the time the Council's budget is set. Therefore, there is no requirement for this Indicator to be monitored on a quarterly or annual basis.

***Adherence to CIPFA code on Treasury Management***

The Council has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

**Upper / Lower Limits for Maturity Structure of Fixed Rate Borrowing**

	2022/23 £000 Reported Indicator		2022/23 £000 Actual Position	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
Under 12 months	20%	0%	2.09%	2.09%
12 months to 24 months	19%	0%	0.70%	3.65%
24 months to 5 years	26%	0%	8.52%	8.52%
5 years to 10 years	27%	0%	10.25%	11.71%
10 years to 20 years	22%	0%	6.50%	6.70%
20 years to 30 years	43%	0%	5.19%	5.19%
30 years to 40 years	46%	0%	30.54%	33.40%
40 years to 50 years	48%	0%	33.29%	37.23%
50 years and above	17%	0%	0.00%	0.00%
All within agreed limits.				

**Upper / Lower Limits for Maturity Structure of Variable Rate Borrowing**

	2022/23 £000 Reported Indicator		2022/23 £000 Actual Position	
	Upper Limit	Lower Limit	Actual Percentage	Maximum YTD
Under 12 months	25%	0%	2.92%	3.01%
12 months to 24 months	20%	0%	0.00%	0.00%
24 months to 5 years	20%	0%	0.00%	0.00%
5 years to 10 years	20%	0%	0.00%	0.00%
10 years to 20 years	20%	0%	0.00%	0.00%
20 years to 30 years	20%	0%	0.00%	0.00%
30 years to 40 years	20%	0%	0.00%	0.00%
40 years to 50 years	20%	0%	0.00%	0.00%
50 years and above	20%	0%	0.00%	0.00%
All within agreed limits.				

On 8 March 2007, Council agreed to the placing of investments for periods of longer than 364 days in order to maximise investment income before forecasted cuts in interest rates. An upper limit was set and agreed as a new Prudential Indicator.

**Upper Limit on amounts invested beyond 364 days**

	2022/23 £000 Reported Indicator	2022/23 £000 Actual Position	2022/23 £000 Maximum YTD
	Investments	<b>15,000</b>	<b>0</b>

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**Title of Report**    **Members' Assurance Statements 2022/23**

**Report of:**         **Darren Collins, Strategic Director, Resources and Digital**

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**Purpose of the Report**

1. To inform the Committee of the opinion of Members of the Cabinet on the effectiveness of the Council's governance arrangements to feed into the Annual Governance Statement.

**Background**

- 2 The Audit and Standards Committee agreed on 7 March 2023 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from Members of the Cabinet on the effectiveness of the Council's governance arrangements are fundamental within the framework.

**Governance Framework**

- 3 The Council has a Local Code of Governance, which was originally presented to the Audit and Standards Committees in April 2007. This was last updated and agreed by the Audit and Standards Committee on 7 February 2023. This Code defines how the Council complies with the principals of good governance as set out in the Local Code of Governance developed by CIPFA, Delivering Good Governance in Local Government: Framework. The principles of good governance in the framework are:
  - Behaving with integrity;
  - Ensuring openness and comprehensive engagement;
  - Defining sustainable outcomes;
  - Determining interventions;
  - Developing capacity;
  - Managing risks and performance; and
  - Implementing good practices in transparency.

- 4 The Council's governance framework is consistent with these principles which ensure they are fully integrated in the conduct of the Council's business.
- 5 The Council's Constitution sets out the role of the Cabinet as follows:
  - To lead change and make recommendations for change to the Council, in consultation with a 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.
- 6 Assurance was sought from Councillors who served in the Cabinet during 2022/23, in the form of a self assessment statement, on the effectiveness of the Council's corporate governance arrangements, by reference to the principles set out above.
- 7 All Cabinet Members considered that governance arrangements are effective.

### **Overall Opinion**

- 8 Based on the evidence identified in the assurance statements from Members of Cabinet, governance arrangements are considered to be effective.

### **Recommendation**

- 9 The Committee is asked to note the assurances of Members of Cabinet and the evidence on oversight and endorse the opinion that the Council's governance arrangements are effective.

Contact name: Craig Oakes Ext. 3711
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**Title of Report: Managers' Assurance Statements 2022/23**

**Report of: Darren Collins, Strategic Director, Resources and Digital**

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### **Purpose of the Report**

1. To inform the Committee of the assurance which Service Directors have placed on their control systems to feed into the Annual Governance Statement.

### **Background**

- 2 The Accounts and Audit Regulations 2015 require Authorities to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness.
- 3 The Audit and Standards Committee agreed on 7 March 2023 an assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances from senior managers on the effectiveness of controls they have in place are fundamental within the framework.
- 4 Service Directors were asked to complete self-assessments which took the form of a questionnaire covering the processes in place to manage their key control and governance processes. This included a requirement to state whether they agreed or disagreed that the processes they had in place provided an effective level of assurance in 18 key areas, with a requirement to detail the evidence to support their assessment.
- 5 The process demonstrates four aspects:
  - **Identify** – what do we want assurance on?
  - **Assess** – what are the sources of assurance?
  - **Review** – how is assurance validated?
  - **Act** – what are the opportunities to improve?

- 6 Where managers agreed that they had in place effective controls they could still identify further system enhancements where considered appropriate.
- 7 If managers felt that they did not have sufficient evidence to agree with a statement they were required to identify actions for improvement which would strengthen systems in place to an effective level.

### **Overall Opinion**

- 8 Based on evidence arising from the self-assessments for 2022/23, managers agreed that necessary controls were in place in key processes to allow them to achieve their service objectives and therefore the objectives of the Council.
- 9 All assessments issued have been returned detailing satisfactory evidence. A summary of returns is attached at Appendix 1 showing each process being assessed. The most common areas of improvement identified by managers were in relation to revisiting business planning, reviewing structures and GDPR compliance.
- 10 An audit of managers' assurances for 2021/22 was conducted during 2022/23, and an update was reported to the Audit and Standards Committee on 25 October 2022 as part of the Internal Audit quarterly monitoring report. The overall conclusion of this work was that the systems and processes for the completion of the Managers' Assurance Statements were operating well and that they provided a good level of assurance for the 2021/22 Annual Governance Statement.
- 11 Internal Audit has time in the 2023/24 audit plan to review the evidence and actions identified by managers on their assurance statements for 2022/23, including any actions managers have identified to enhance controls.

### **Recommendation**

- 12 The Committee is asked to note the assurances provided by senior managers.

<b>Contact name: Craig Oakes Ext. 3711</b>
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## Service Directors' Assurance 2022/23

Area of Assurance	Number That Agree / Disagree That Effective Controls Are In Place
1. Effective mechanisms are in place to ensure employees are aware of and comply with Council requirements such as the Council's Constitution and corporate policies, along with relevant statutory requirements such as Health & Safety and Safeguarding.	21 managers agreed that effective controls are in place.
2. Financial Regulations are understood and complied with by all employees.	20 managers agreed that effective controls are in place.  One manager agreed partial compliance and identified training requirements for some staff.
3. A clear up to date business plan is in place which is completed which demonstrates alignment to the Council's strategic priorities.	18 managers agreed that effective controls are in place.  Three managers agreed partial compliance and identified actions for improvement including updating the Service's plans
4. There are effective data quality and performance management processes for the Service with relevant, accurate and adequate performance information generated with demonstrable links to contribution to delivery of Thrive and the Health and Wellbeing Strategy. These are reported on a timely basis, with appropriate action taken to address performance issues.	20 managers agreed that effective controls are in place.  One manager agreed partial compliance and identified actions for improvement relating to a change to key software.
5. There are well defined reporting arrangements to Councillors and senior management, including a clear reporting structure with adequate, accurate and timely information being provided, to ensure that decisions, including key decisions, are taken with reference to relevant consultation, information and data	22 managers agreed that effective controls are in place.  One manager agreed partial compliance and identified the need for a new working group.
6. Management and staffing structures are clearly defined and responsibilities including job descriptions are clearly established. There is a competent and adequately trained workforce to deliver the objectives and priorities of the Service, including evidence of employee development appraisals for all employees, effective management of succession planning and retention / recruitment of appropriate skills.	18 managers agreed that effective controls are in place.  Five manager agreed partial compliance and identified actions for improvement in relation to training, service reviews and adapting to legislative changes.
7. All Partnership Arrangements are included in the Council's Corporate Partnership Register and have	22 managers agreed that effective controls are in place.

Area of Assurance	Number That Agree / Disagree That Effective Controls Are In Place
<p>been established in compliance with the Council's Guide to Partnership Working Strategy.</p>	<p>One manager stated this question was not applicable to their Service.</p>
<p>8. Standards of conduct within the Service are in accordance with corporate codes and policies.</p> <p>Controls are in place to deter, prevent, detect, and reduce the risk of fraud and corruption (including bribery), such as employee training/awareness sessions.</p> <p>Controls are in place to ensure employees are fully aware of the Council's Counter-Fraud Arrangements and Whistleblowing Policy and all suspected frauds and financial irregularities are referred to Internal Audit.</p> <p>All employees promote the values of the Council and uphold high standards of conduct and behaviour.</p>	<p>22 managers agreed that effective controls are in place.</p> <p>One manager agreed partial compliance and highlighted an ongoing review.</p>
<p>9. There are effective financial planning and budgetary control procedures in place.</p> <p>Budgetary decisions are linked to planned outcomes and the Service objectives which support the Council's Thrive and the Health and Wellbeing Strategy.</p>	<p>19 managers agreed that effective controls are in place.</p> <p>Two managers agreed partial compliance and identified actions for improvement around reviewing service budget structures.</p>
<p>10. The Service can evidence that it has clear and effective plans in place to deliver the Service's savings targets, and risks around achievement are identified.</p>	<p>22 managers agreed that effective controls are in place.</p> <p>One manager stated this question was not applicable to their Service.</p>
<p>11. Where applicable, the Service can demonstrate that the effective application of the Council's Commissioning Framework has resulted in the delivery of improved outcomes, the achievement of value for money and that, where this has been delivered via a procurement process, compliance with the Council's Contract Procedure Rules can be evidenced.</p>	<p>22 managers agreed that effective controls are in place.</p> <p>One manager stated this question was not applicable to their Service.</p>
<p>12. Trading opportunities have been considered in accordance with the Governance Framework for Decision Making on Traded Activities.</p>	<p>18 managers agreed that effective controls are in place.</p> <p>Four managers stated this question was not applicable to their Service.</p>

Area of Assurance	Number That Agree / Disagree That Effective Controls Are In Place
	One manager agreed partial compliance and highlighted ongoing property rationalisation reviews.
<p>13. IT systems owned by the Service are secure and operate satisfactorily for their purpose.</p> <p>Mechanisms are in place to ensure employees are fully aware of the IT Security Policy and their responsibilities including how to minimise exposure to risk of a cyber-attack by taking necessary anti-virus precautions and adhere to the Policy.</p>	21 managers agreed that effective controls are in place.
<p>14. There are effective business continuity arrangements in place which are reviewed and tested on a regular basis.</p> <p>There are effective plans in place to manage change and ensure business continuity during any transition period.</p>	<p>22 managers agreed that effective controls are in place.</p> <p>One manager agreed partial compliance to reflect a review of IT systems.</p>
<p>15. Recommendations from relevant external Inspectorates and Internal Audit reports are monitored by management and are implemented by the agreed date.</p>	23 managers agreed that effective controls are in place.
<p>16. There is effective management of Operational Risk within the Service including the effective identification, recording, control and ongoing monitoring of risks associated with the achievement of Service objectives, with appropriate oversight by Group Management Teams.</p>	<p>20 managers agreed that effective controls are in place.</p> <p>One manager agreed partial compliance and identified actions for improvement relating to inductions</p>
<p>17. The Service has identified its sources and flows of information including rights of access.</p> <p>Threats and risks to information assets owned by the Service have been assessed and recorded with corresponding action plans for reducing risks where appropriate.</p> <p>All staff have received appropriate training in relation to data security and GDPR. Any data breaches are formally reported and where a data breach has occurred a review of the incident is carried out and, where appropriate, additional training is provided and systems and procedures assessed to identify any improvements to the controls to prevent future data breaches.</p>	<p>20 managers agreed that effective controls are in place.</p> <p>Three managers agreed partial compliance and identified actions for improvement around annual training and record maintenance.</p>

<b>Area of Assurance</b>	<b>Number That Agree / Disagree That Effective Controls Are In Place</b>
<p>18. Relevant assessments have been completed and necessary arrangements put in place to ensure that the Council's activities during the COVID-19 pandemic continue to be conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for by way of for example: review of Business Impact Assessments, Business Continuity Plans and Risk Registers.</p>	<p>22 managers agreed that effective controls are in place.</p> <p>One manager agreed partial compliance referencing a review was to be undertaken.</p>

**Title of Report:**      **Review of the Effectiveness of Internal Audit 2022/23**

**Report of:**            **Darren Collins, Strategic Director, Resources and Digital**

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## **Purpose of the Report**

- 1 To ask the Committee to review the effectiveness of internal audit within the Council for 2022/23.

## **Background**

- 2 The Accounts and Audit Regulations 2015 require all authorities to “conduct an annual review of the effectiveness of internal audit and for a committee of the body to consider its findings” and that this process should be part of the annual review of the effectiveness of the system of internal control, which results in the production of the Annual Governance Statement. Best practice highlights that “internal audit”, in this context, includes not only the Internal Audit Service but also the Audit and Standards Committee in 2022/23.
- 3 The review ensures that the opinion of the Chief Internal Auditor given in the Internal Audit Annual Report, included as a separate report on this agenda, can be relied upon as a key source of evidence in the Annual Governance Statement.
- 4 The Strategic Director, Resources and Digital has delegated responsibility to maintain an adequate internal audit of the Council’s financial affairs as required by Section 151 of the Local Government Act 1972.
- 5 The review of the effectiveness of the system of Internal Audit for 2022/23 has been undertaken by the Council’s Internal Control Group, which includes the Strategic Directors of Resources & Digital and Corporate Services & Governance. This review is based upon the following:
  - Self-assessment against Public Sector Internal Audit Standards (PSIAS);
  - Self-assessment against the CIPFA Statement on the Role of the Head of Internal Audit;
  - Reliance placed upon Internal Audit by the Council’s external auditor;
  - Assessment of the effectiveness of the Audit and Standards Committee; and
  - Relevant performance information.

## **Self-assessment against PSIAS**

- 6 The PSIAS require an external assessment of internal audit functions to be completed every five years. In compliance with PSIAS the Internal Audit Service

was assessed against current Internal Audit practices and compliance with professional standards by Mazars during 2019/20.

7 The standards have four areas as detailed below:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards; and
- Performance Standards.

8 As reported to Audit and Standards Committee in April 2020, the outcome of the assessment was positive and found that the Internal Audit Service is substantially compliant with requirements of the PSIAS and the CIPFA Application Note, with a number of minor areas for continued improvement identified.

#### **Self-Assessment against the CIPFA Statement on the Role of the Head of Internal Audit**

9 This assessment requires an evaluation of how the five principles of this statement are embedded within the Council and the Chief Internal Auditor's skills and personal experience. The statement has common themes with the PSIAS. The self-assessment found arrangements to be compliant with the statement and a copy is attached at Appendix A.

#### **Reliance Placed Upon Internal Audit by the Council's External Auditor**

10 A joint working protocol is in place between Internal Audit and the Council's external auditor, Mazars. Wherever possible the external auditor will seek to rely upon the work of Internal Audit in discharging their own responsibilities. During 2022/23 Mazars did not place specific reliance on any of Internal Audit's work but through regular meetings work has been co-ordinated wherever possible and intelligence shared.

#### **Assessment of the Effectiveness of the Audit and Standards Committee**

11 CIPFA's guidance "Audit Committees – Practical Guidance for Local Authorities (2018)" includes a checklist for measuring the effectiveness of the Council's Audit and Standards Committee. This assesses in more detail some of the areas examined in the assessment against PSIAS.

12 A review, based on this guidance, was carried out by the Council's Internal Control Group on 02 June 2023. This covered the following areas:

- Purpose and Governance
- Functions of the Committee
- Membership and Support
- Effectiveness of the Committee

13 Evidence includes the Constitution and the Audit and Standards Committee's overseeing of risk management, counter-fraud arrangements and the Annual



Governance Statement. This review found the Audit and Standards Committee to be operating effectively. A copy of the assessment is attached at Appendix B.

### **Performance Information**

- 14 Performance monitoring of the work carried out by the Internal Audit Service provides further assurance that the system of Internal Audit is operating effectively and adding value to the Council as a whole. During 2022/23 the following key performance indicators are relevant:
- 99% of audits were completed within budgeted time against a target of 90%.
  - Productive or chargeable time was recorded at 71.5% of overall time against an annual target of 72% of overall time.
  - The average score of the customer satisfaction questionnaires returned is 3.73 out of 4 (93%) against a target of 3.4 (85%).
  - The target for implementation of audit recommendations was 100% for high priority recommendations and 90% for medium priority and best practice recommendations. The rate of implementation of all recommendations was 99.7%, with 100% of all medium and high priority recommendations having been implemented.
- 15 CIPFA benchmarking exercises have been suspended since 2020/21 and as yet have not restarted. As previously reported to the Audit and Standards Committee on 28 October 2019, benchmarking for 2019/20 highlighted the Internal Audit Service as being low cost with high productivity in comparison with other local authorities. The Service has continued to be low cost and high productivity demonstrating that the Council is receiving value for money from its Internal Audit Service.

### **Opinion of the Effectiveness of Internal Audit**

- 16 Based on the review detailed above the Council's Internal Control Group concluded that the Council's System of internal audit is operating effectively.

### **Recommendations**

- 17 The Committee is asked to consider and endorse the opinion that the Council's system of internal audit is operating effectively.

<b>Contact name: Craig Oakes Ext. 3711</b>
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**Appendix A – 2022/23  
Self-Assessment Against the CIPFA Role of the Head of  
Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
<b>1</b>	<p>The head of internal audit (HIA) plays a critical role in delivering the organisation’s strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control.</p>	<p>CIA’s role in the organisation’s governance is set out in the Audit Charter which comply with PSIAS. The ToR establishes:</p> <p>The responsibility &amp; objectives of IA;</p> <ul style="list-style-type: none"> <li>• Organisational independence;</li> <li>• Accountability &amp; reporting lines;</li> <li>• The contribution made by the CIA to the internal control environment (including an assessment of its effectiveness) which in turn contributes to the Annual Governance Statement;</li> <li>• The access to all records, assets, personnel premises;</li> <li>• The requirement of the HIA to provide an annual audit opinion on the internal control environment.</li> </ul>	<p>CIA produces an Annual Audit Opinion Report which gives assurance to the Council on the effectiveness of the system of internal control</p> <p>Role of the Internal Audit Service are defined in the scope of the Audit Charter which is reviewed annually</p> <p>CIA produces an Internal Audit Strategy which is reviewed annually to reflect the organisation’s key risks. The strategy and plan are flexible, supportive, challenging, prioritised and timely which ensures the plan maintains focus on emerging risks.</p> <p>Risk based Audit Plan developed in consultation with all Service Directors</p> <p>The annual audit planning process is aligned (as closely as possible) to the Corporate / Service risks. To place reliance on the risk registers the CIA must regularly evaluate and assess the organisation’s risk maturity and risk appetite</p> <p>CIA liaises regularly with those discharged with the organisation’s external audit responsibilities. CIA ensures that audit work is not driven by priorities of EA. As a minimum ‘managed audit’ requirement CIA ensures that audits of the key financial</p>	<p>The Internal Audit Strategy is reviewed by the CIA annually and revised as necessary to reflect any prevailing risks to client organisations.</p> <p>All audit findings are evaluated and assessed against the risk to the organisation</p> <p>CIA ensures that all high and medium recommendations are followed up on a regular and timely basis and that the progress in actioning these is reported regularly to the Audit and Standards Committee.</p> <p>CIA ensures that recommendations presented are realistic, pragmatic and risk based with a focus on added value.</p> <p>CIA reports both in detail or in summary on all principal audit findings and control / system weaknesses to the Audit and Standards Committee (or equivalent) without interference or influence from the Council or auditees</p>

**Appendix A – 2022/23  
Self-Assessment Against the CIPFA Role of the Head of  
Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
			systems are performed on an annual basis.	
<b>2</b>	The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments.	<p>Established through the Audit Charter the CIA has clear lines of responsibility to the Strategic Director, Corporate Resources &amp; Digital and the Audit and Standards Committee.</p> <p>CIA produces an annual Audit Strategy and Plan which is approved by the Audit and Standards Committee.</p> <p>Protocols that define IA working relationships are also set out in Financial Regulations.</p> <p>Role of HIA in relation to Governance set out in the Governance Assurance Framework.</p>	<p>CIA helps promote good governance through an annual risk-based audit programme, quarterly progress reports to the Audit and Standards Committee and an annual audit opinion report.</p> <p>CIA leads an Internal Audit section which contributes to major projects, both on an ongoing or an ad-hoc basis, through a programme of proactive systems development and project work through agreed consultancy arrangements.</p> <p>CIA liaises regularly and where necessary with other external bodies including those with inspection/assurance responsibilities such as CQC, External Auditor, Home Office &amp; HMIC.</p>	<p>CIA undertakes consultation exercises with Senior Management Teams to feed into annual audit plan to ensure it aligns with the strategies, objectives and risks of the Council.</p> <p>CIA regularly identifies and disseminates 'best practice' through audit provision.</p>
<b>3</b>	The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee.	<p>Internal Audit Charter outlines terms of reference and management structure.</p> <p>CIA line managed by Service Director Commercialisation and Improvement, but with direct line of reporting to Strategic Director, Resources &amp; Digital and Chief Executive.</p>	<p>CIA liaises and consults with key Council stakeholders in, both, revising the annual audit strategy and in the drafting of the annual audit plan for each organisation.</p> <p>CIA provided with an unfettered opportunity to escalate any significant concerns through reports or direct submissions to the Audit and Standards</p>	<p>CIA has developed and maintained effective professional working relationships with a range of internal &amp; external stakeholders.</p> <p>CIA attends and reports to each meeting of the Council's Audit and Standards Committee.</p> <p>CIA ensures that all audit plans are flexible in nature and reflect the developing needs and emerging risks facing the Council.</p>

**Appendix A – 2022/23  
Self-Assessment Against the CIPFA Role of the Head of  
Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
		<p>CIA has clear lines of responsibility and reporting to the Audit and Standards Committee.</p> <p>The CIA has access to the senior management/leadership teams within the Council as required.</p> <p>As established within the Audit Charter the CIA leads an audit function which has unrestricted access to all people, systems and records within the organisation including, where applicable, access rights under significant partnership arrangements.</p>	<p>Committee, through senior management teams.</p>	<p>CIA networks both internally and externally.</p>
4	<p>The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively.</p>	<p>All internal auditors are fully or partially qualified (CCAB &amp; AAT) or are currently undergoing professional training.</p> <p>Monthly local performance targets produced which are reported quarterly into Audit and Standards Committee.</p> <p>Client Questionnaire are circulated electronically which are incorporated into the CIA's quality control function.</p> <p>Plan is developed on risk-based approach prior to looking at resource implications.</p> <p>The Service has undergone external assessment against PSIAS every five years and was most recently assessed as substantially compliant</p>	<p>CIA ensures that the IA service is resourced to be fit for purpose through:</p> <ul style="list-style-type: none"> <li>• Training support to undertake professional qualifications;</li> <li>• On the job/in-house training (e.g. Risk Management);</li> <li>• Regular A&amp;Ds and client surveys which are used to identify training and development needs;</li> <li>• Reviewed job profiles to ensure all staff responsibilities are clearly defined and recognised.</li> <li>• Internal Audit Development Plan.</li> </ul> <p>CIA regularly attends conferences, courses and other networking opportunities (e.g., NEFF, NEGF, TWHIAG), keeping up to date with recent audit developments and current best practice in the public sector.</p>	<p>Internal Audit strategies comply with PSIAS.</p> <p>Annual planning involves extensive consultation with all stakeholders, including Committee members and senior managers.</p> <p>Client questionnaires are circulated electronically for feedback in relation to audits performed. These aim to enhance customer focus.</p> <p>Innovative arrangements to manage skills gaps i.e. Newcastle IT audit arrangement.</p> <p>Works in partnership where appropriate with other audit providers e.g. Newcastle Council IT auditor</p> <p>Quality Assurance and Improvement programme in place, including performance</p>

**Appendix A – 2022/23  
Self-Assessment Against the CIPFA Role of the Head of  
Internal Audit (HIA) Statement**

The Statement sets out what CIPFA considers to be best practice for HIAs

	<b>Principle Definition</b>	<b>The Organisation: Governance Requirements</b>	<b>The Role: Core HIA Responsibilities</b>	<b>The Individual: Personal Skills/ Professional Standards</b>
		Outcome of PSIAS external assessment and associated improvement plan is reported to Audit and Standards Committee.		targets and monitoring, IA Development Plan, audit file reviews.
<b>5</b>	The HIA must be professionally qualified and suitably experienced.	<p>CIA has 31 years local authority experience and has been CIPFA qualified for 28 years.</p> <p>The core responsibilities of the CIA role are clearly defined in the job profile, the Internal Audit Charter and the respective Financial Regulations.</p> <p>CIA has the appropriate experienced and qualified resources (see above) within the audit section to fulfil the audit provision across the current client base.</p>		<p>CIA is CIPFA qualified and takes personal responsibility for continuous professional development (CPD) in accordance with institute requirements.</p> <p>CIA manages an Internal Audit Section which operates according to PSIAS and has been externally assessed as substantially compliant.</p> <p>CIA has 26 years' experience in the Council, 15 of which in Internal Audit.</p> <p>CIA is an affiliate member of the Chartered Institute of Internal Auditors</p>

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Signed



Dated 24<sup>th</sup> May 2023

Craig Oakes  
Chief Internal Auditor

Audit committee purpose and governance	YES	PARTLY	NO	Comments
1. Does the authority have a dedicated audit committee?	YES			Merged with Standards Committee reported to Cabinet 13 May 2014
2. Does the audit committee report directly to full council?	YES			Annual Report to Cabinet 11 October 2022 and Council 13 October 2022
3. Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	YES			Set out in the Constitution
4. Is the role and purpose of the audit committee understood and accepted across the authority?	YES			
5. Does the audit committee provide support to the authority in meeting the requirements of good governance?	YES			
6. Are the arrangements to hold the committee to account for its performance operating satisfactorily?	YES			Annual report to Cabinet 11 October 2022 and Council 13 October 2022 outlining activity during previous year
Functions of the committee	YES	PARTLY	NO	
7. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
☑☑ - good governance	YES			
☑☑ - assurance framework, including partnership and collaboration arrangements	YES			
☑☑ - internal audit	YES			
☑☑ - external audit	YES			
☑☑ - financial reporting	YES			Statement of Accounts reviewed by the Audit & Standards Committee prior to the Accounts Committee
- risk management	YES			
☑ - value for money or best value	YES			
☑ - counter-fraud and corruption.	YES			

- supporting the ethical framework	YES			The Committee receives update reports on local government ethical standards and Committee Terms of Reference include promoting and maintaining high standards of conduct by co-opted members and councillors.
8. Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	YES			Evidenced by this self-assessment and annual report to Cabinet. Annual evaluation to assess this will also be an annual item on the Committee Agenda.
9. Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	YES			Now merged with Standards Committee. Treasury Management Strategy, six-month progress and year end performance reported. Wider areas to be considered at a future agenda, as part of consideration of implementation of CIPFA's revised Position Statement published in 2022.
10. Where coverage of core areas has been found to be limited, are plans in place to address this?	YES			
11. Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	YES			
<b>Membership and support</b>	<b>YES</b>	<b>PARTLY</b>	<b>NO</b>	
12. Has an effective audit committee structure and composition of the committee been selected? This should include:				
☐ - separation from the executive	YES			Chair and Vice Chair non-Cabinet members. Two Cabinet members serve on the Audit & Standards Committee but the Council welcomes this as a balance between separation and the inclusion and awareness of the Committee's activities by the Executive
☐ ☐- an appropriate mix of knowledge and skills among the				Member development programme agreed by the Committee in



<p>membership</p>	<p>YES</p>		<p>October 2019 following which a planned series of training seminars commenced. This was suspended in light of the remote working position during COVID 19 as it was felt training seminars would be most beneficial if held in person. This will be revisited in 2023/24, including an evaluation of the knowledge, skills and training needs of members to undertake their Committee duties consistent with the requirements of the 2022 Guidance.</p>
<p>☐ ☐- a size of committee that is not unwieldy</p>	<p>YES</p>		
<p>☐ ☐consideration has been given to the inclusion of at least one independent member (where it is not a mandatory requirement)</p>	<p>YES</p>		<p>The Committee has three independent members</p>
<p>13. Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council?</p>	<p>YES</p>		<p>The last independent vacancy was advertised in the local press and on the Council's website as well as circulated to the Council's partners. The interview panel consisted of the Chair and Vice Chair, together with the Deputy Monitoring Officer and Service Director Financial Management. A report to full Council 27/1/22 set out the reappointment of one existing independent for a further period of four years, and the appointment of two new independent members for the same period.</p>
<p>14. Does the chair of the committee have appropriate knowledge and skills?</p>	<p>YES</p>		
<p>15. Are arrangements in place to support the committee with briefings and training?</p>	<p>YES</p>		<p>A framework for Audit Committee Knowledge and Skills Assessment and a Development Plan was reported for endorsement to the April 2019 Committee following consultation with Committee members. This was used to inform the member development programme. This will be revisited in 2023/24, including an evaluation of the knowledge, skills and training needs of members to undertake their Committee duties consistent with the requirements of the 2022 Guidance.</p>
<p>16. Has the membership of the committee been assessed against the core knowledge and skills framework and found</p>			<p>Member skills self assessment circulated to inform the Skills Assessment and Development Plan was circulated to member of the</p>

	YES			Assessment and Development Plan was circulated to member of the Committee for completion April 2019. This will be revisited in 2023/24, including an evaluation of the knowledge, skills and training needs of members to undertake their Committee duties consistent with the requirements of the 2022 Guidance.
to be satisfactory?				
17. Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	YES			Chief Internal Auditor and Strategic Director, Resource and Digital attend Committee pre meetings and Committees, External Audit attend all Committees.
18. Is adequate secretariat and administrative support to the committee provided?	YES			
<b>Effectiveness of the committee</b>	<b>YES</b>	<b>PARTLY</b>	<b>NO</b>	
19. Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	YES			Not proactively sought but mechanism exists through annual report to Cabinet
20. Are meetings effective with a good level of discussion and engagement from all the members?	YES			
21. Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	YES			The Committee Terms of Reference provide for this facility
22. Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	YES			The Committee Terms of Reference set out that the Committee consider reports on audit activity and the Council's arrangements for Corporate Governance and raise the profile of audit, risk management and the internal control environment.
23. Has the committee evaluated whether and how it is adding value to the organisation?	YES			Not proactively sought but mechanism exists through annual report to Cabinet

24. Does the committee have an action plan to improve any areas of weakness?	YES			A framework for Audit Committee Knowledge and Skills Assessment and a Development Plan was reported for endorsement to the April 2019 Committee following consultation with Committee members. This was used to inform the member development programme reported to the 28 October 2019 Committee. This will be revisited in 2023/24, including an evaluation of the knowledge, skills and training needs of members to undertake their Committee duties consistent with the requirements of the 2022 Guidance.
25. Does the committee publish an annual report to account for its performance and explain its work?	YES			Annual Report to Cabinet 11 October 2022 and Council 13 October 2022

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**Title of Report:** Corporate Risk Management – Annual Report 2022/23

**Report of:** Darren Collins, Strategic Director, Resources and Digital

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### **Purpose of the Report**

1. The assurance derived from risk management forms part of the evidence to inform the Annual Governance Statement. This report presents to the Committee the arrangements that exist within the Council for managing risk, the impact that these have had, and the plans for further development of risk management arrangements.
2. The Committee is asked to consider the Corporate Risk Management Annual Report for 2022/23 and agree the adequacy of the Council's risk management arrangements contained therein.

### **Background**

3. Robust risk management arrangements are a key element of a sound system of internal control and therefore essential to the Council being able to demonstrate that it has good systems of corporate governance. It also provides evidence to inform the Annual Governance Statement, which is reviewed annually and accompanies the Statement of Accounts.
4. Quarterly reports to the Audit and Standards Committee have updated on progress throughout 2022/23.

### **Proposal**

5. The report recommends that the Committee consider the Corporate Risk Management Report for 2022/23, attached at Appendix 1, as the basis for assessing the effectiveness of risk management arrangements. The report outlines the prevailing arrangements that exist within the Council for managing risk, the impact that these have had on the Council's operations and the plans for further development of risk management arrangements.

### **Recommendations**

6. It is recommended that Committee note the Corporate Risk Management Annual Report 2022/23 as shown in Appendix 1 and agree that the Council has effective risk management arrangements in place.
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**Contact:** Craig Oakes x3711

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## Corporate Risk Management

### Annual Report 2022/23

#### Background

1. Risk management is “the identification, analysis and economic control of opportunities and risks that challenge the assets, reputation and objectives of an organisation.”
2. Risk management enables the Council to effectively manage strategic decision making, service planning and delivery both to safeguard the well being of its stakeholders and increase the likelihood of achieving objectives. The aim is to manage risks that cannot be economically eliminated or transferred.
3. Effective risk management, which is integrated into policies and procedures, is an essential element of a sound internal control system and therefore necessary if the Council is to demonstrate that it has good systems of Corporate Governance. It also provides evidence to inform the Annual Governance Statement, which is reviewed annually and accompanies the Statement of Accounts.

#### Current Position

4. The structures and processes, which are employed within the Council to manage risk, are described below.
5. The Chief Executive and the Corporate Management Team are essential to the embedding of risk management within the Council by promoting a culture of risk management being practised throughout the organisation as an integral part of normal activities and fostering the sharing of best practice between Groups and Services.
6. Under the Council’s Constitution, the Strategic Director, Resources and Digital has responsibility for Risk Management, and the key rules in relation to Risk Management are set out in Financial Regulation 17.
7. Strategic and Service Directors who have ownership for the management of operational risks which impact on their Service(s), are required to incorporate risk management principles into the service planning process and ensure that the risk management process is embedded in all operations, major projects, partnership working, arrangements with key suppliers and change management initiatives.
8. All managers are required to understand risk and its potential impact on the achievement of the Council’s targets and objectives and be able to anticipate, assess and manage risks that relate to their areas of responsibility.
9. The role of the Corporate Risk Management function is to:
  - Formulate strategies to manage the corporate risk process;

- Develop, implement, monitor and review an action plan to minimise corporate strategic risks;
  - Support and develop Service Risk Management Co-ordinators through the Corporate Risk and Resilience Group;
  - Co-ordinate risk management and business continuity planning activity through the Corporate Risk and Resilience Group;
  - Review Service risk management action plans for relevance and consistency;
  - Monitor implementation of Service risk management plans;
  - Report to the Audit and Standards Committee, and
  - Co-ordinate risk management activity, ensuring that it is joined up with business continuity management, emergency and resilience planning.
10. Corporate Risk Management, which is part of the Council's Resources & Digital Group, co-ordinates risk management activity and delivers technical support, advice, guidance and training to all Groups and Services either directly or via Service Risk Management Co-ordinators.
11. Each Group has a Risk Co-ordinator. The role of the Group Risk Co-ordinator is to act as a risk management champion within their Group, providing guidance and support to service managers in the administration of risk management activities in addition to acting as the channel of communication between the Corporate Risk Management function and the Group Management Team.
12. The principal forum for risk management development is the Corporate Risk and Resilience Group, which consists of the Corporate Risk Management Team, Group Risk Co-ordinators and a representative of the Council's Emergency and Resilience Planning, IT and Health & Safety functions.
13. The role of the Corporate Risk and Resilience Group with regards to risk management is to:
- Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements;
  - Identify opportunities for improvements and best practice in relation to risk management and resilience; and
  - Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
14. The Council's Internal Audit Service assists in the risk management process by reviewing risk management systems and verifying compliance by Services direct to the Strategic Director, Resources & Digital and the Audit and Standards Committee. In addition, risks are identified in the execution of the annual audit plan, which are fed into the relevant risk action plans.
15. The Corporate Risk Management structure is set out in diagrammatical form at Appendix 2.



## Developments in 2022/23

16. As part of the ongoing work to refresh operational risk management, Service Directors and Service Risk Coordinators have been supported, where requested, by the Corporate Risk Management Officer. Aligning operational risk management to Service objectives assists with focussing risk management activity on Council priorities and achievement of key outcomes.
17. The fulfilment of the Council's responsibilities under the Civil Contingencies Act 2004, requires that the organisation has a sound business continuity planning framework at the heart of which is the Business Continuity Planning Policy approved by Council in October 2008. The existing Policy was reviewed and approved by Cabinet in June 2013 and is reviewed regularly to reflect organisational changes and risk industry developments.
18. The Business Continuity Plan template, scoring assessment and the service impact assessments were all reviewed to ensure CIPFA best practice recommendations are incorporated within Council processes. These templates are used in the current bi-annual review necessitated by the COVID-19 pandemic and continued since.
19. The development and focus, as a result of the COVID-19 pandemic, on the Service Business Impact Assessment process and, where identified as necessary, accompanying Business Continuity Plans, has been robust. These plans have been assessed and refreshed during April / May 2022, and again as the services moved into the autumn and winter period in November 2022. They have subsequently been reviewed during April / May 2023, as the services moved out from the autumn and winter programmes.
20. All Services returned Business Impact Assessments and, where graded as necessary, supporting Business Critical Plans use the new guidance and templates. These were examined to validate the corporate implications of the Plans and confirm that they can all be implemented if required.
21. In November 2018, Cabinet and Council approved a revised Strategic Risk Register which had been presented to Audit and Standards Committee on 1 October 2018. The Corporate Management Team has continued to ensure strategic risks are responded to in accordance with the Risk Management Policy, with risks and controls being recorded for inclusion within the Strategic Risk Register. As part of the iterative nature of the Register, risk owners are asked to provide updates which are reported to Committee as part of the quarterly updates. The latest Strategic Risk Register can be seen in Appendix 3.
22. The Audit and Standards Committee have received quarterly risk management reports and risk management training is available for councillors on request. The most recent report was delivered in April 2023.

## **How well has the Council managed Risk?**

23. The overall risk management structure which is reviewed annually, as outlined in paragraphs 4 to 15 and shown at Appendix 2, provides a joined-up approach to the identification, assessment, mitigation and management of the numerous risks which could threaten the achievement of the Council's policy objectives.
24. Progress has been made against the risk management developmental objectives for 2022/23 identified in Appendix 4.
25. The Council has in place a formalised business continuity framework to mitigate key risks for all services and a Corporate Continuity Plan, which can facilitate the prioritisation of action in response to a large-scale event without inhibiting any response to Emergency Response Arrangements should the event be related to a civil emergency. This supports the Council's resilience planning to meet the requirements of the Civil Contingences Act 2004.

## **Development Objectives 2023/24**

26. Development objectives for 2023/24 are set out in Appendix 5.

## **Risk Management Policy**

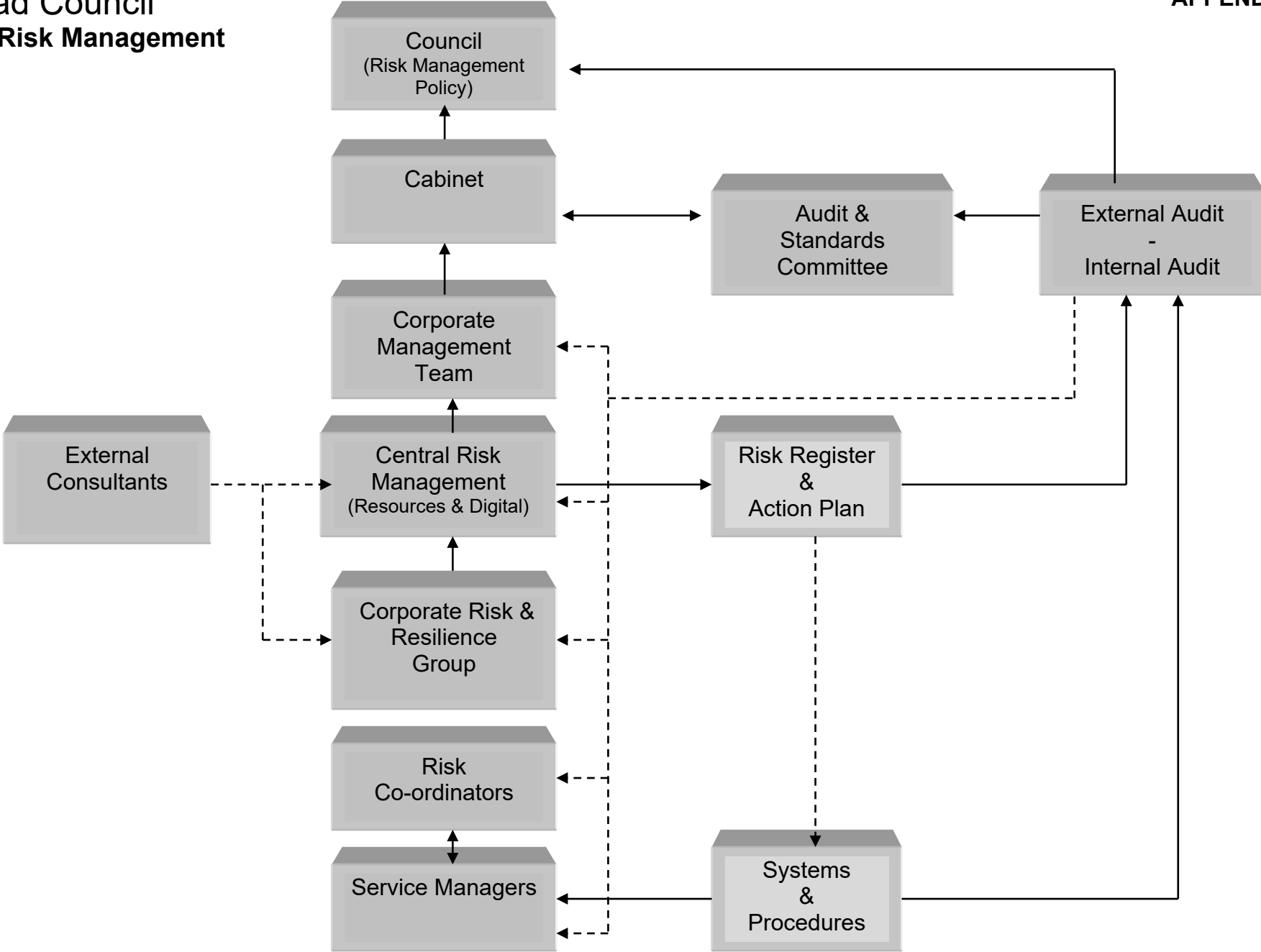
27. The Council approved Risk Management Policy provides the framework to mitigate and manage the risks that could impact on the delivery of the Council's objectives. This is included in Appendix 6.

## **Conclusion**

28. This report outlines the arrangements for managing risk within the Council, their effectiveness and the steps which are being taken to ensure continuous improvement of the function and minimisation of loss.
29. On the basis of these arrangements and evidence of their operation it can be concluded that arrangements for managing risk within the Council are effective.

Gateshead Council  
Corporate Risk Management  
Structure

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## Strategic Risk Register

SR Ref	Risk	Risk owner	Gross Risk Rating (pre-mitigation)	Current Risk (post mitigation)		
				Likelihood	Impact	Risk Rating
1	Failure to address the financial gap in the Council's budget and achieve the target within the Medium-Term Financial Strategy resulting in non-achievement of Council strategic priority of Making Gateshead a Place Where Everyone Thrives.	CMT	Red 16	Moderate 3	High 4	Amber 12
2	Failure to manage demand and expectations could result in the Council not achieving its Thrive agenda.	CMT	Red 16	Moderate 3	Medium 3	Amber 9
3	Failure to safeguard vulnerable children and adults	CMT	Red 16	Unlikely 2	High 4	Amber 8
4	Failure to attract inward investment and deliver sustainable economic growth.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
5	Non-compliance with statutory requirements resulting in prosecution and subsequent penalties.	CMT	Amber 12	Moderate 3	Medium 3	Amber 9
6	Failure to address workforce planning and resourcing requirements impacting on service delivery.	CMT	Red 16	Moderate 3	Low 2	Green 6
7	Failure to provide a response during a Major incident or business interruption affecting availability of the Council's resources and impacting on ability to deliver critical services or an impact on a community.	CMT	Amber 8	Moderate 3	Low 2	Green 6
8	The implications of EU Exit potentially affecting the availability of Council's resources to deliver services which may impact on communities.	CMT	Red 16	Likely 4	Medium 3	Amber 12
9	The Council is hit by a Cyber-attack that compromises the confidentiality, integrity and availability of information and systems.	CMT	Red 16	Moderate 3	High 4	Amber 12

10	Failure to comply with the housing regulatory standards applicable to Local Authorities.	Sandra Watson, Service Director, Housing Compliance	Red 20	Moderate 3	Medium 3	Amber 9
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### Strategic Risk Map

<b>Impact</b>	<b>Extreme (7)</b>				
	<b>High (4)</b>	• (SR3)	• (SR1) • (SR9)		
	<b>Medium (3)</b>		• (SR2) • (SR4) • (SR5) • (SR10)	• (SR8)	
	<b>Low (2)</b>		• (SR6) • (SR7)		
		<b>Unlikely (2)</b>	<b>Moderate (3)</b>	<b>Likely (4)</b>	<b>Almost Certain (5)</b>
<b>Likelihood</b>					

### Corporate Risk Management: Developmental Objectives 2022/23

Ref:	Objective	Progress to date
1	Continue to develop understanding and awareness of Risk Management by way of best practice through the Risk & Resilience Group and directed training on request.	<p>The deployment of Microsoft Teams and the use of SharePoint sites has enabled more regular risk communication and information sharing across the organisation.</p> <p>Additional risk information and guidance has been provided at meetings of the Corporate Risk and Resilience Group and to Group Management Teams.</p> <p>The contact details for service risk coordinators and staff within the Audit and Risk Service that are available on the Intranet page have been kept up to date throughout the year.</p> <p>The Corporate Risk Officer has assisted employees from across the organisation and has provided training throughout the year to both existing and new employees.</p>

Ref:	Objective	Progress to date
2	Business Continuity Plans will continue to be updated, enhanced and, where appropriate, formal testing against incident scenarios and best practice requirements will be carried out.	As part of the annual corporate exercise, Service Directors reviewed Business Impact Assessments and authorised subsequent Business Impact Plans. This was completed in May 2022, November 2022 and again during April / May 2023, to ensure plans and mitigation were in place and regularly reviewed in response to anticipated service delivery pressures.
3	The Operational and Strategic Risk Registers will be subject to periodic review for updates and revisions to ensure the continue to reflect and contribute to the achievement of Council priorities, linking risk management activity to outcomes and delivery.	Risk owners have been reminded and coached in how to keep risk information up to date and relevant.  Regular risk management updates have been provided to Group Management Teams and the Corporate Risk and Resilience Group.
4	Continue to develop risk management and business continuity performance including comparison with other public sector organisations and local resilience forums.	Officers from Risk Management, IT Services and Emergency & Resilience Planning teams, have attended several multi-agency regional Local Resilience Forum events to share learning and share best practice from across partner organisations. This included participation in an immersive simulation of a ransomware attack organised by the Northern WARP (North East, Yorkshire & Humber and North West). The Northern WARP brings together three regional



Ref:	Objective	Progress to date
		Warning and Reporting Points that provide trusted safe spaces for alert, warnings, knowledge and experience sharing amongst public sector information governance and information security colleagues.
5	Continue to prioritise Critical IT systems and the links to Critical service functions identified through the revised Business Continuity process.	<p>The Cyber Security Group has held meetings throughout the year to ensure the resilience of critical IT systems in response to increasing cyber threats. Several policies have been drafted during the year to enhance the Council's cyber security and its management of cyber risk.</p> <p>An internal audit was undertaken of the Council's IT continuity and recovery arrangements and an action plan has been agreed.</p>

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### Corporate Risk Management: Developmental Objectives 2023/24

Ref:	Objective
1	To continue to raise awareness and develop understanding of Risk Management across the organisation, by way of information sharing through the Corporate Risk and Resilience Group and targeted 1:1 training, as required.
2	To regularly review, update and enhance Business Impact Assessments and supporting service Business Continuity Plans, where assessed as necessary.
3	To ensure risk management activity is contributing to the achievement of Council priorities, outcomes, and delivery by reviewing the operational and strategic risk assessments and recording updates and revisions.
4	To develop risk management and business continuity performance including working in partnership with local resilience forums.
5	To prioritise critical IT systems and the links to critical service functions identified through the Corporate Risk and Resilience Group and the Business Continuity process.

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## CORPORATE RISK MANAGEMENT POLICY

June 2023

## 1. Introduction

The Council provides a wide range of services to the local community, all of which give rise to some level of risk.

The Council fully acknowledges that risk is not always bad (or negative). Risk can also be good (positive) where things may happen that increase benefits and improve outcomes.

The Council is fully committed to regularly identifying and analysing its risks and taking appropriate action to take best advantage of positive opportunities and innovation or to prevent, or minimise their negative impact on service delivery.

This Policy provides the framework within which the Council manages the strategic and operational risks associated with the provision of its services in accordance with good management practice and in compliance with the requirements of Corporate Governance.

Risk management, performed rigorously and comprehensively, creates stability, contributes to the achievement of the Council's strategic objectives and enhances the value of the services it provides to the community. It is a continuous process which applies to the Council at both strategic and operational levels.

### Definitions

*Risk* may be defined as the chance that an uncertain event or action, should it occur, will have an impact on the ability of the Council to achieve its objectives. The impact may be either a positive opportunity or innovation where managed risk taking may benefit the Council or a negative threat requiring action to be taken to reduce the likelihood of the event occurring or to reduce the negative consequences (or impact) of the event.

*Strategic Risks* are risks that have the potential to impact upon the Council's medium to long term objectives. Strategic risks could impact across the entire or significant proportions of the Council and they are best identified and managed by those in the most senior positions whose role entails policy and strategic decision making.

*Operational Risk* may be defined as the risk of loss resulting from, inadequate or failed internal processes, people and systems or from external events.

*Risk Appetite* (often referred to as risk tolerance) is the amount of risk that the Council is prepared to tolerate at any point in time and will depend on a number of variables such as cost, reputation and effects on service delivery. Risk appetite must be considered in order to achieve the most advantageous

balance of a risk occurring against the value for money of reducing that risk. Cost benefit analysis must be considered in all decisions made concerning whether to accept or treat any risk, the cost of risk control must not outweigh the cost of tolerating the risk. The Council may be prepared to take large risks in some areas and none in others and through regular member scrutiny of the strategic risk register and acceptance of residual (net) level of risk determine the Council's current risk appetite.

*Risk Management* is the systematic process of identifying risks, either negative (threat) risks or positive (opportunity) risks, analysing and evaluating their likelihood and impact, controlling the risk to an acceptable level and monitoring the effectiveness of the controls.

Risk management is far more than the prevention of bad things. It is also the taking advantage of opportunities to try out new innovative ways of working and finding opportunities to reduce costs or improve outcomes.

The Council employs four methods of managing its risks:

- Accept – accept the level of risk after considering risk appetite/cost benefit analysis; cost of risk control must not outweigh the cost of tolerating the risk.
- Avoid – avoid the activity altogether (not always possible), use an alternative method of carrying out the function which involves less risk.
- Reduce – employ effective controls to reduce the likelihood of an event occurring or reduce the impact of the event.
- Transfer – transfer the risk to an insurer or contractor.

The purpose of risk management is not to remove risk altogether as in most cases this would not be economically viable. It is getting the right balance between innovation and change and the avoidance of shock and crisis.

## **2. Policy Context**

### **Policy Statement**

The Council has adopted the principles of risk management in order to:-

- Make the most of its opportunities and help ensure its objectives and outcomes are achieved, including the objectives and outcomes of all partnerships and joint ventures that the Council is involved with.
- Protect the health, safety and welfare of its employees and the people it serves;
- Protect its property, assets and other resources; and

- Maintain its reputation, image and good standing in the wider community. The Council has processes in place to regularly identify, analyse and take appropriate action to manage the risks associated with its operations including the operations of all partnerships and joint ventures that the Council is involved with, in compliance with the objectives detailed in section 3 below.

### **3. Risk Management Objectives**

**The Council's risk management objectives are to:**

- Integrate and embed risk management into the culture of the Council.
- Improve co-ordination and ensure consistency of risk management activity across the Council.
- Facilitate continuous review of the Council's strategic and operational business risks, including the risk of fraud and corruption, Manage risk in accordance with best practice and professional standards. Anticipate and respond to changing political, economic, social, technological, legislative, environmental, competitive and customer requirements.
- Prevent injury, damage and losses and reduce the cost of risk.
- Raise awareness of the need for risk management for all those connected with the delivery of services, including services that are delivered in collaboration with partnerships, contractors, or key suppliers.
- Support sustainable service improvements and achieve value for money.
- Embrace and exploit opportunities to explore new innovative ways of working and finding opportunities to reduce costs and improve outcomes.

**These objectives will be achieved by:**

- Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
- Training all relevant staff, managers and Councillors to ensure a clear understanding of the Council's risk management policy and their role in the process
- Providing opportunities for shared learning on risk management across the Council.
- Offering a framework for allocating resources to identified priority risk areas.
- Reinforcing the importance of effective risk management as part of the everyday work of employees and Councillors through training.
- Incorporating risk management considerations into efficiency reviews of services.
- Monitoring risk management arrangements on an ongoing basis to support the delivery of each Service's business plan objectives.



## **4. Requirements**

### **General**

Best practice dictates that the Council must have established policies and procedures, which address the issues highlighted below, in a manner appropriate to the nature of the service undertaken.

### **Processes**

Processes must be established in order to identify the risks associated with the activities of the Council and its partners, assess these risks in terms of likelihood and impact and evaluate reduction and mitigation measures.

Training must be provided in order to ensure that all relevant staff, managers and Councillors clearly understand the Council's risk management policy and their role in the process.

### **Risk Assessments**

Risk assessments must be carried out for all identified strategic and operational risks, (including new and existing contracts/projects and contract changes). Risk assessments must be performed by competent staff including, where appropriate, expertise from outside the immediate service area.

Procedures must be established to update risk assessments either when triggered by a risk occurrence, a system or legislative change, or at appropriate intervals and to review these assessments regularly. This should form part of the monitoring of each Service's business plan objectives.

### **Planning**

Risk management should be integrated into the Council's strategic planning framework and into all Business Plans. Management must prepare plans, which describe specific actions for the mitigation of all significant risks. To achieve maximum benefit proactive opportunity risk management should be applied at the very early planning stages of any operational activity, project or in strategy formulation.

### **Business Continuity Management**

Business continuity management plans must be prepared which describe the actions to be taken to address crisis or disaster situations. All such plans should be reviewed, updated and tested at regular intervals in compliance with the Council's Business Continuity Management Policy.

Business Continuity Management is a key part of the Council's Corporate Risk Management Approach. All Business Continuity Management related activity within the Council is coordinated through the Corporate Risk and Resilience Group under the guidance of the Strategic Director, Resources & Digital.

### **Management**

All assessed risks must be addressed by managers at a level appropriate to the nature and magnitude of the risk, with decisions clearly documented and the resulting actions implemented through prescribed local procedures.

Managers must ensure that appropriate, cost effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Service's Business Planning.

### **Reporting**

Clear reporting procedures must be established to ensure that regular reports identifying risks and risk management actions are prepared for each service/project/contract/partnership and that summary reports are submitted to the Council's designated risk manager, Corporate Management Team, Cabinet/Audit and Standards Committee on a specified regular basis. All reports for decision making require an assessment of the key risk implications associated with the decision and how these will be managed.

### **Sustainability**

Reports which support strategic policy decisions and initiate major projects require a risk assessment which includes a sustainability impact appraisal outlining the social, economic or environmental impacts arising from the proposal. The Council is committed to long term sustainable development in order to ensure the capacity to continue operating into the future through greater efficiency in resource use and innovative improvements to local service delivery arrangements whilst also helping to protect the environment for future generations.

## **5. Risk Reviews**

### **Strategic Risk Reviews**

The strategic risk review process is undertaken periodically by the Strategic Risk Management Officer Group, which includes Service Directors from across all Groups to ensure that the strategic risk management framework is relevant and robust in the context of mitigating risks to the Council's key corporate objectives.

### **Service (Operational) Risk Reviews**

Managers will carry out risk assessments in all service areas, including those delivered in collaboration with a partnership or by a third party provider, both on a periodic basis in accordance with a timescale specified by the Strategic Director Resources & Digital ( Annual Operational Risk Register Review) and on an ad-hoc basis as the result of triggers, (such as a risk occurrence, the implementation of new systems or working procedures, legislation changes, key personnel changes, etc). The findings of the risk assessments must be recorded with any consequential actions considered necessary by managers taken in a timely fashion. The risk assessments will both support and inform Service Business Plans which underpin the delivery of the Council Pan.

Risk reviews will specifically address both strategic and operational risks and should incorporate the following:-

- Integrated partnership/contract and risk management processes.

- Preparation of contingency plans for high risk areas.
- Early identification of emerging risks coupled to risk reduction/mitigation action.

Managers may need to consider specialist advice for areas such as:-

- IT Services.
- Security.
- Disaster Recovery.
- Insurance.
- Media/Public Relations.
- Systems and Controls.
- Health and Safety.
- Environmental Protection.
- Fire.

### **Project Risk Reviews**

The inherent high risk profile of certain types of project require formal risk management activities to be undertaken. These include projects involving:-

- Responsibility for public safety or national security.
- Design/development of critical systems.
- Civil engineering design and construction.
- A high degree of public interest.
- A high degree of customer dependence.
- Large-scale capital investment.
- Significant Partnerships, joint ventures, etc.
- Fit for future projects/ initiating.
- Use of volunteers.

### **Partnership Risk Reviews**

Effective risk management is essential to the delivery of the successful partnership arrangements that support the delivery of the Council Plan. A joint partnership risk register should be maintained for all significant partnerships, which will both identify and assess risks, including the risk of fraud and corruption, and act as a vehicle for the allocation of risk ownership.

When managing partnership risks, a number of generic risk factors must be addressed including:-

- Alignment of objectives.
- Aligning authority with responsibility.
- Incentives for partners to manage risks effectively.
- Resilience of the partnership.
- Suitability of a partnership approach.
- Monitoring arrangements.
- Relative skills, experience and culture of the partners.

## **Policies and Procedures**

An annual review of risk management policies and procedures will be conducted to ensure that they continue to meet the needs of the Council and Corporate Governance requirements and comply with professional standards.

## **6. Implementation - Roles and Responsibilities**

The responsibility for the implementation of the policy is as follows:-

### **Councillors**

Councillors are responsible for governing the delivery of services to the local community. All Councillors therefore have a responsibility to understand the strategic risks that the Council faces in delivering services and consider the risk management implications of any action within the strategic decision making process.

The Leader of the Council holds the portfolio which encompasses risk management. The Leader is supported in this role by the Chairman of the Audit and Standards Committee who is designated Member Champion for risk management.

The Audit and Standards Committee is the principal interface with Councillors for the purposes of supporting and monitoring the Council's risk management arrangements. The Committee receives quarterly reports on the Council's performance in relation to risk management and this provides an opportunity for challenge and discussion.

Councillors' key tasks are:-

- Approving the risk management policy and strategy;
- Monitoring the Council's risk management and internal control arrangements;
- Reviewing an annual assessment of the effectiveness of the risk management and internal control framework; and
- Approving the public disclosure of the annual outcome of this assessment, (the Governance Statement), and publishing it alongside the Annual Statement of Accounts.

### **Chief Executive and Corporate Management Team**

The Chief Executive and Corporate Management Team are pivotal in the promotion and embedding of risk management by promoting a corporate culture of risk management. This means that proactive risk management is practised throughout the organisation and is both an integral part of normal activities and supports the sharing of best practice across Groups and Services.

The Chief Executive and Corporate Management Team's key tasks are:-

- Recommending to the Cabinet/Council the Corporate Risk Management Policy and subsequent revisions.
- Supporting and promoting risk management throughout the Council.

- Actively identifying and assessing strategic risks on a regular basis.
- The Strategic Director, Resources and Digital, in consultation with the Chief Executive, is responsible for advising the Council on risk management (Financial Regulation 17).
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the implementation, monitoring and audit of the Council's Corporate Risk Management Policy.
- The Strategic Director, Resources and Digital will make the necessary arrangements to facilitate the reporting of information to enable the Audit and Standards Committee members to fulfil the roles of ensuring the effectiveness of risk management arrangements.
- All Strategic Directors will be responsible for identifying and assessing significant risks arising from their service activities and in conjunction with the Strategic Director, Resources and Digital they will also identify and implement an ongoing programme for controlling risk.

### **Senior Information Risk Owner (SIRO)**

The SIRO is a CMT member responsible for managing information risk at the highest level and who provides overall direction and leadership for information governance arrangements. The SIRO for Gateshead Council is the Strategic Director of Corporate Services and Governance. Responsibilities include (but are not limited to):

- Overseeing the development of the information risk management strategy
- Ensuring that the council's approach to information risk is effective, in terms of resource, commitment and delivery
- Owning the resolution of information governance issues and risks
- Ensuring that all staff are aware of the necessity for information governance and the risks affecting the council's information
- Preparing an annual information risk assessment for the Chief Executive to inform the Annual Governance Statement

### **Senior Management Group (Services and Performance)**

As the reporting channel to Corporate Management Team on risk management issues, members of this group must consider reports on corporate risk management and business continuity management. As with Corporate Management Team this group are pivotal in the promotion and embedding of risk management within the Council's corporate culture.

### **Service Directors**

Strategic and Service Directors are responsible for ensuring that risk management within their area of responsibility is implemented in line with the Corporate Risk Management Strategy and will demonstrate their commitment to risk management through:-

- Being actively involved in the anticipation, identification and assessment of corporate risks and accepting ownership of those operational risks which impact on their Service(s).
- Incorporating risk management principles into the business planning process.

- Encouraging staff to be more innovative and open and honest in identifying risks and opportunities.
- Ensuring that the risk management process is embedded in all major projects, change management initiatives and where services are provided in association with significant partners.
- Embracing a proactive approach to the management of risks by:-
  - Assessing key priority risks on a periodic basis;
  - Ensuring that risk monitoring and control mechanisms are in place;
  - Ensuring effective action is taken to mitigate significant risks;
  - Regularly reviewing risk mitigation measures;
  - Delivering future control measures in accordance with action plans; and
  - Developing triggers to initiate the identification of new risks and re-evaluation of old risks, (changes in systems, legislation, etc).

## **Managers**

Managers need to understand their role in the Council's risk management process and why they need to be concerned with risk in order to achieve the Council's objectives and targets. They must in compliance with the *Gateshead Competency Framework* "anticipate, assess and manage corporate risks" that relate to their areas of responsibility.

The role of Managers is to:-

- Understand how to evaluate risks and when to accept appropriate risks in order to pursue an opportunity or innovation.
- Ensure that appropriate, cost effective actions are taken to manage and control risks. Any resource implications of these actions must be addressed in Business Plans and the Council's Policy and Business Planning Cycle.
- Implement and monitor adherence to the policy in the everyday activities of their specific service areas obtaining guidance from the Risk Management Co-ordinator when required.
- Communicate to staff the Council's risk management process.
- Identify risk management training needs of their staff and report this to the Risk Management Co-ordinator

## **Central Risk Management**

The risk management responsibilities of the Strategic Director, Resources & Digital are discharged by the Service Director Financial Management who will provide both strategic support to the above and operational guidance to the Risk Management and Insurance Sections, which fulfil the role of Central Risk Management in the delivery of corporate risk management objectives.

The role of the Central Risk Management function is to:-

- Formulate strategies to manage the corporate risk process.
- Develop, implement, monitor and review an action plan to minimise corporate strategic risks.
- Support and develop the Corporate Risk and Resilience Group/Service Risk Management Co-ordinators.
- Review Group/Service risk management action plans for relevance and consistency.
- Monitor implementation of Group/Service risk management plans.
- Report annually to Cabinet and on a regular basis to the Audit and Standards Committee.
- Co-ordinate risk management and business continuity management activity through the Corporate Risk Management Group.
- Ensure risk management and business continuity management activities are joined-up with emergency and resilience planning.

## **Group/Service Risk and Resilience Management Co-ordinators**

Groups and Services may nominate a volunteer Risk and Resilience Co-ordinator. The role of the Group/Service Risk and Resilience Co-ordinator is to:-

- Act as the risk and resilience management champion within their

Group/Service

- Promote the benefits of risk and resilience management across their Group/Service.
- Provide guidance and support to Strategic Directors, Service Directors and service managers in the planning and administration of risk management, business continuity management, emergency planning and resilience activities.
- Act as the communications link between Central Risk and Resilience Management, the Corporate Risk and Resilience Management Group and their Group/Service Senior Management Team.
- Represent their Group/Service within the Corporate Risk Management Group and actively participate in risk management and business continuity management activities and initiatives.

### **Corporate Risk and Resilience Group**

The Corporate Risk and Resilience Management Group consists of Central Risk Management, all Group/Service Risk and Resilience Co-ordinators and representatives from the Council's Corporate Resilience Planning Team and IT functions. The Group meets on a quarterly basis.

The role of the Corporate Risk and Resilience Group is to:-

- Engage with Strategic Groups in relation to risk management and resilience to ensure it is consistently updated and embedded throughout the Council and within governance arrangements.
- Identify opportunities for improvements and best practice in relation to risk management and resilience.
- Co-ordinate and oversee the implementation and embedding of identified changes and improvements.
- Ensure there are robust internal control arrangements in place to anticipate, assess, prevent, prepare for, respond to and recover from, emergencies ensuring a resilient Gateshead.
- Contribute to the achievement of the key strategic priorities of Resilience and Emergency Planning.
- Consider key corporate learning points from incident and exercise debriefs.

### **Internal Audit**

Risk management is one of the key systems within the Council. Internal audit's role is to challenge established processes, risk identification and evaluation and to provide assurance to officers and members on the effectiveness of controls. The Council's Strategic Audit Plan incorporates a programme of regular compliance audits to ensure that the key elements of the Corporate Risk Management Policy and its procedures are being followed,



planned risk mitigation actions have been implemented and that internal controls are robust and operating effectively.

The Chief Internal Auditor will undertake an annual assessment of the Council's risk management and internal control mechanisms as part of the review of corporate governance arrangements.

Internal audit will feed the results of the corporate and service risk analysis into its annual audit programme.

## **7. Evidence of Compliance**

Compliance will be evidenced by:

- The existence and implementation of the Corporate Risk Management Policy.
- Related policy statements and documented procedures.
- Strategic and operational risk registers for all of the Council's activities.
- Periodical review of strategic risk register.
- Annual review of operational risk register.
- Existence of partnership risk registers for significant partnerships.
- Risk assessments conducted for acquisitions, new contracts and projects, existing contracts and contract changes.
- Risk management implications on all Council and Cabinet reports.
- Business Continuity Management Policy and related plans.
- Business Plans.
- Agendas/minutes for Corporate Risk and Resilience Group.
- Internal/external Audit inspections and reports.
- Operational risk management handbook for managers and employees.
- Dedicated risk management section on intranet.
- Associated training materials.
- Management of action plans developed to address resilience planning issues.
- Quarterly oversight and reporting of risks into Group Management Teams.

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**Title of Report:** Annual Governance Statement 2022/23

**Report Of:** Darren Collins, Strategic Director, Resources and Digital

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### **Purpose of the Report**

1. The Committee is asked to review the evidence of assurances provided on the Council's internal controls, risk management and governance arrangements, and approve the Annual Governance Statement (AGS) 2022/23, attached at Appendix A.

### **Background**

2. The Accounts and Audit Regulations 2015 require Councils to produce an Annual Governance Statement giving an assessment of governance arrangements and their effectiveness. This accompanies the Annual Statement of Accounts and is signed by the Leader of the Council and the Chief Executive.
3. The Audit and Standards Committee agreed on 7 March 2023 the assurance framework which would provide evidence for the completion of the Annual Governance Statement. Assurances were required in the following areas:
  - Governance arrangements
  - Councillors
  - Senior Managers
  - The system of internal audit
  - Risk management arrangements
  - Counter Fraud Arrangements
  - Performance management and data quality
  - Views of the external auditor and other external inspectorates
  - The legal and regulatory framework
  - Financial controls
  - Partnership arrangements and governance
  - Other sources of assurance

## **Governance Arrangements**

5. The Council has a Local Code of Governance, which was originally presented to the Audit and Standards Committees in April 2007. This was last updated and agreed by the Audit and Standards Committee on 7 February 2023. This Code defines how the Council complies with the principals of good governance as set out in the Local Code of Governance developed by CIPFA, Delivering Good Governance in Local Government: Framework.
6. The effectiveness of the Council's governance arrangements will be considered through the assessment of assurances below.

## **Councillors**

7. As in the previous year assurance has been sought from Members of the Cabinet on the effectiveness they feel can be placed on the Council's corporate governance arrangements. A report elsewhere on this agenda sets out the evidence to show that effective governance arrangements are in place.

## **Senior Managers**

8. All Service Directors have completed self-assessment assurance statements detailing the level of assurance obtained from their key control processes and governance arrangements, with the exception of one Service Director. The conclusion of this exercise is reported elsewhere on this agenda and found that managers agreed that effective control systems were in place.

## **The System of Internal Audit**

9. The Internal Audit Service has undertaken audit work throughout the year based on the risk-based audit plan. In addition, the Council has a framework of assurance available to satisfy that its risks have been properly identified and are being managed by controls that are adequately designed and effective in operation. This includes assurance from a variety of sources other than the Internal Audit Service, for example, the Health and Safety team. These other assurance sources have been assessed as part of the Audit Plan.
10. The system of Internal Audit, which includes the Audit and Standards Committee, has been reviewed and found to be operating effectively by the Council's Internal Control Group which met on 2 June 2023.
11. Based on evidence arising from planned internal audit activity during 2022/23, the overall opinion of the Chief Internal Auditor for the year which is reported elsewhere on this agenda in the Internal Audit Annual Report 2022/23, is that internal control systems and governance arrangements are considered to be effective.

### **Risk Management Arrangements**

12. The Strategic Director, Resources and Digital reports elsewhere on this agenda that risk management arrangements during the year were effective.

### **Counter Fraud Arrangements**

13. The Strategic Director, Resources and Digital reports elsewhere on this agenda that Counter Fraud Arrangements during the year were effective.

### **Performance Management and Data Quality**

14. The Council has a corporate suite of strategic performance indicators to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. The monitoring of performance takes place at key performance points as identified in the framework including quarterly performance reported to Group Management Teams and Corporate Senior Officer meetings.
15. In addition, performance is also monitored, measured, challenged and scrutinised on a six monthly basis at Cabinet and respective Overview and Scrutiny Committees.
16. The Corporate Data Management Group is overseeing the development of an approach to improving how the performance information is presented so that this is accessible to all stakeholders. Performance reports to Overview and Scrutiny are published on the Council's website.
17. The evidence arising from the performance management framework process for 2022/23 was presented to the Council's Internal Control Group on 2 June 2023. Based on this evidence the Group found that effective controls are in place.

### **Views of the External Auditor and other External Inspectors**

18. At the time of the most recent report dated October 2022 from Mazars, the Council's external auditor, covering the financial year 2021/22, and subject to satisfactory conclusion of the remaining audit work, the Auditor anticipated issuing an unqualified opinion, without modification, on the financial statements. Issues leading to the delay in sign off are not as a result of ineffectiveness on the part of the Council. The Auditor also anticipated having no significant weaknesses to report in relation to the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.

19. Other external inspectorates' reports have been issued from time to time on management and governance arrangements to the Council.

### **The Legal and Regulatory Framework**

20. Assurance has been obtained from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. The Council has a Constitution in place and compliance with established policies, procedures, laws and regulations is ensured by the requirement to give the Strategic Director, Corporate Services and Governance the opportunity to comment on every report submitted to a decision-making body. This evidence supporting an effective Legal and Regulatory Framework was presented to the Council's Internal Control Group on 2 June 2023.

### **Financial Controls**

21. Assurance has been obtained from the Strategic Director, Resources and Digital, 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, that financial controls are effective. Systems in place include Financial Regulations, the opportunity to comment on the financial implications of committee reports, monitoring meetings and evidence from internal and external audit. In addition, the Council undertook a self-assessment of compliance with the CIPFA Financial Management Code during 2022/23. The assessment considered seventeen financial management standards grouped into seven sections underpinning the six principles. Following the self-assessment, the Council is considered to be compliant with the Financial Management Code. This evidence supporting effective financial controls was presented to the Council's Internal Control Group on 2 June 2023.

### **Partnership Arrangements & Governance**

22. Service Directors review partnerships within their service areas 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 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 operating satisfactorily.
23. Based on evidence arising from partnerships for 2022/23 effective controls are in place. This evidence was presented to the Council's Internal Control Group on 2 June 2023.

## **The Annual Governance Statement**

24. As reported to the Audit and Standards Committee on 7 March 2023, a corporate group uses the findings of the above sources of assurance to form a view on the adequacy of the Council's overall internal control and governance arrangements. Using evidence from this assessment the Group prepares the Annual Governance Statement for approval by this Committee, which will then accompany the Statement of Accounts.
25. This group, the Internal Control Group, which is chaired by the Strategic Director, Resources and Digital and includes the Strategic Director, Corporate Services and Governance along with representatives of Internal Audit and Corporate Risk Management has reviewed the evidence from the sources of assurance above and prepared the Annual Governance Statement for 2022/23 which is attached at Appendix A.
26. Based on the review of the Council's governance arrangements during 2022/23, 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.
27. The Annual Governance Statement therefore reflects this opinion and gives details of the evidence obtained to achieve it, actions taken to improve governance following the previous Annual Governance Statement, and an action plan for the next year.

## **Recommendation**

28. The Committee is asked to approve the Annual Governance Statement to accompany the Statement of Accounts 2022/23 prior to it being passed to the Leader of the Council and Chief Executive for signature.

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**Gateshead Council**

**Annual Governance Statement 2022/23**

**Introduction**

1. This statement meets the requirements of Regulation 6 (1) of the Accounts and Audit (England) Regulations 2015 in relation to the publication of an Annual Governance Statement (AGS). It explains how the Council's arrangements for the governance of its affairs complied with its Local Code of Corporate Governance for the year ended 31 March 2023.

**Scope of Responsibility**

2. Gateshead Council (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.
3. The Accounts and Audit (England) Regulation 2015 require the Council to prepare an AGS, which must accompany the Statement of Accounts. 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.
4. 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 and performance.
5. 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 published on the Council's website at [Local Code of Governance](#)

**The Purpose of the Governance Framework**

6. 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 strategic approach, Making Gateshead a Place Where Everyone Thrives.

7. 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.
8. The Governance Framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts 2022/23.

### **The Governance Framework**

9. The key elements of the Council's governance arrangements are detailed in the Council's [Local Code of Corporate Governance](#). This sets out the key documents and processes that determine the way the Council is directed and controlled to meet the seven key principles of the CIPFA/SOLACE Framework.
10. 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, including the ongoing impacts resulting from the COVID-19 pandemic, which will require effective long term planning to ensure a review of lessons learned, an effective recovery and mitigation of the financial impacts.
11. The following sections demonstrate assurance that the Council has complied with each of these principles in practice, and also highlights where we further improved our corporate governance arrangements during 2022/23.

### **Organisational Structures**

12. The Council's objectives are set out in the strategic approach, Making Gateshead a Place Where Everyone Thrives, which provides a framework to deliver the priorities of the Council's Thrive policy and the six policy objectives of the Health and Wellbeing Strategy.
13. These priorities are translated by Services into specific aims and objectives. The achievement of these objectives is monitored by individual services and at a strategic level by the Cabinet and Overview and Scrutiny Committees.
14. The Council has a corporate suite of strategic performance indicators to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. SMG Services and Performance plays a key role in monitoring the Performance Framework before reports are presented to Overview and Scrutiny Committees and Cabinet on a six monthly basis. Performance reports to Overview and Scrutiny are published on the Council's website.
15. 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 is combined with the Audit Committee. Employees are also subject to a Code of Conduct and a number of specific policies as set out in the Employee Handbook.

16. 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 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.
17. 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.
18. The Strategic Director, Resources and Digital 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.
19. The Council also conducts an annual review in relation to the CIPFA Financial Management (FM) Code. Whilst the Code does not have legislative backing, CIPFA's judgement is that compliance with it is obligatory if a local authority is to meet its statutory responsibility for sound financial administration, which will be closely considered by the Council's external auditors. The FM Code contains six principles against which all financial management should be judged, which are then translated into standards which should be the minimum that an authority seeks to achieve. Each authority is expected to determine the extent to which it complies with the FM Code by way of a self-assessment, and to identify what action it may wish to take to better meet the standards that the FM Code sets out.
20. 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.

21. 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.
22. 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 2019/20, the Internal Audit Service was externally assessed for compliance with Public Sector Internal Audit Standards. The outcome of the assessment was that the service is substantially compliant with the requirement of PSIAS and the CIPFA Application Note. There were some minor areas for continued improvement identified. All the areas were included in an action plan, progress against which is reported to the Audit and Standards Committee. The results of the assessment were reported to the Audit and Standards Committee in June 2020.
23. 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.
24. The governance of the Council's companies, including consideration of strategic direction, is overseen by the board of each company, which is made up of appropriately trained and qualified Council officers. The Companies have quarterly board meetings, with standing agenda items including operational and financial updates. Annual and mid-year reports are presented to Overview and Scrutiny Committee and Cabinet to ensure there is appropriate oversight of the Council companies in their capacity as shareholder. The accounts of the Companies are subject to annual external audit, and Internal Audit review all the companies' governance and control arrangements on a three-year cycle.

25. 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 Health and Care System, Gateshead Safeguarding Children Partnership, Health and Wellbeing 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**

26. 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.

27. 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.

28. 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, Resources and Digital on the operation of the Council's financial controls;
- Partnership governance arrangements; and
- Counter fraud and corruption arrangements.

29. 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.
30. The Council's Local Code of Governance is reviewed regularly and was last approved by the Audit and Standards Committee on 7 February 2023. Assurance was sought from Councillors who served on the Cabinet during 2022/23, 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 20 June 2023 in which all Members of the Cabinet considered that governance arrangements are effective.
31. 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 including consideration of relevant assessments to ensure that no aspects of governance were adversely affected by the impact of COVID-19 and where necessary arrangements were put in place to ensure the Council's activities continued to be conducted appropriately, . These included considerations of the effectiveness of internal controls. A report was presented to the Audit and Standards Committee on 20 June 2023 which concluded that, based on the self-assessments, Service Directors agree that effective controls were in place.
32. The Chief Internal Auditor reports to the Council's Strategic Director, Resources and Digital, 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 20 June 2023. This included an assessment of compliance with the CIPFA Statement on the Role of the Head of Internal Audit (2019) 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.
33. 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 20 June 2023. This opinion is based on 88 audit reviews undertaken during the year which found all systems reviewed to be operating well or satisfactorily, except in eight 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 2022/23 as a result of the work of the Internal Audit Service.

34. The Annual Risk Management Report was presented to the Audit and Standards Committee on 20 June 2023 which concluded that risk management arrangements are effective.
35. The Annual Report on Counter Fraud Arrangements was presented to the Audit and Standards Committee on 20 June 2023 which concluded that counter fraud arrangements are effective.
36. The Council's Performance Management Framework (PMF) was reviewed in 2020/21 with a new approach developed and introduced in 2021/22 to better reflect the current priorities of the Council and to enable it to manage performance, identify where and how to improve it, and to effectively direct resources to and demonstrate progress in delivery of its Thrive priorities. 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 PMF. Based on the information provided during the year and internal reviews of data quality, effective controls are in place.
37. No work undertaken by external bodies or inspectorates during the year identified weaknesses in internal controls or governance arrangements. At the time of the most recent report dated October 2022 from Mazars, the Council's external auditor, covering the financial year 2021/22, and subject to satisfactory conclusion of the remaining audit work, the Auditor anticipated issuing an unqualified opinion, without modification, on the financial statements. Issues leading to the delay in sign off are not as a result of ineffectiveness on the part of the Council. The Auditor also anticipated having no significant weaknesses to report in relation to the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.
38. 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 2022/23.
39. Assurance on the effectiveness of the Council's financial controls has been provided by the Strategic Director, Resources and Digital (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.

40. The Council undertook a self-assessment of compliance with the CIPFA Financial Management Code during 2022/23. The assessment considered seventeen financial management standards grouped into seven sections underpinning the six principles. Following the self-assessment, the Council is considered to be compliant with the Financial Management Code.
41. Service Directors review partnerships within their Service areas 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 operating satisfactorily.

#### Update on improvements identified in the 2021/22 Annual Governance Statement

No.	Actions to be Taken	Links to the Local Code of Corporate Governance	Responsible Officer	Timescale
1	Further strengthen compliance with the CIPFA Financial Management Code	Strong public financial management	Strategic Director, Resources and Digital	March 2023
<p><b>Update:</b> <b>This action is complete.</b></p> <p>Action taken during the year to further strengthen compliance with the CIPFA FM Code includes development of Financial Awareness E Learning module for access via Learning Hub, face to face training on ordering process delivered, engagement with Strategic Directors to inform financial information reported into GMTs, and the last published MTFS contained more information on scenarios.</p>				
2	Implement necessary changes arising from the Revised CIPFA Good Governance Framework	To ensure the Local Code of Corporate Governance continues to comply with best practice.	Strategic Director, Corporate Services and Governance	January 2023
<p><b>Update:</b> <b>This action is complete.</b></p> <p>The Local Code of Governance was reviewed to ensure it continues to comply with best practice and was presented to the Audit and Standards Committee for approval 7 February 2023.</p>				

3	Revise Strategic Risk Register to reflect risks to delivery of Strategic Health and Wellbeing outcomes	Managing Risk	Strategic Director Resources and Digital,	January 2023
<p><b>Update:</b>  <b>This action is ongoing.</b></p> <p>The Council is in the process of drafting a Corporate Plan to align with Thrive and Health &amp; Wellbeing pledges, and all Services are drafting Service Plans to setting out the medium-term plans to support effective delivery of the Corporate Plan. These documents will be discussed with Service Directors and CMT to identify corporate risks for inclusion in the Strategic Risk Register.</p>				

### Proposed Governance Improvements required during 2023/24

42. As a result of the review of governance arrangements, and the work of both internal and external audit, two improvement actions have been identified to further strengthen governance arrangements in 2023/24. These are shown in the table below, along with the relevant link to the Local Code of Corporate Governance for reference:

No.	Actions to be taken	Lead Officer and Timescale
1	Brought Forward Continue work to revise the Strategic Risk Register to ensure it reflects risks to effective delivery of the Council's Corporate Plan.	Strategic Director, Resource and Digital  November 2023
Principle F: Managing risks and performance through robust internal control and strong public financial management, Sub Principle: Managing Risk		
2	Review the revised CIPFA Position Statement on Audit Committees in Local Authorities to assess in conjunction with the Audit and Standards Committee how best to accommodate during 2023/24.	Strategic Director, Corporate Services and Governance  January 2024
Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability Sub Principle: assurance and effective accountability		

### Opinion on Governance Arrangements

43. Based on the review of the Council's governance arrangements during 2022/23, 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**

44. 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 20 June 2023 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:**