

## 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:**