

**ANNUAL GOVERNANCE STATEMENT**

**Review of 2011/12 and Actions Required in 2012/13**

## **ANNUAL GOVERNANCE STATEMENT**

### **1.0 Scope of responsibility**

- 1.1 Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded properly accounted for, and used economically, efficiently and effectively. Gloucester City 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.
- 1.2 In discharging this overall responsibility, Gloucester City Council is responsible for putting in place proper arrangements for the governance of its affairs, to facilitate the effective exercise of its functions.
- 1.3 Gloucester City Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.gloucester.gov.uk](http://www.gloucester.gov.uk), is included in the Council's Constitution (Part 5 – Codes & Protocols), or can be obtained from the Council's Group Manager Audit & Assurance or the Monitoring Officer. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit (England) Regulations 2011 in relation to the publication of an Annual Governance Statement.

### **2.0 The purpose of the governance framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and it's the activities 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, cost-effective services.
- 2.2 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 Gloucester City Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Gloucester City Council for the year ended 31<sup>st</sup> March 2012, and up to the date of approval of the Statement of Accounts.

### **3.0 The governance framework**

3.1 Governance is about how the Council ensures it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

3.2 The Council has adopted a Local Code of Corporate Governance that is based around a number of key principles. These principles are identified below, together with a commentary on the current level of organisational compliance.

### **4.0 Focus on the purpose of the authority and on outcomes for the community and creation and implementation of a vision for the local area**

4.1 The Council's major policy objectives in 2011/12 were detailed as part of the corporate plan, entitled 'Transforming Your City'. This Plan, which followed on from the Blueprint for Change in 2005 and building a Better Gloucester on 2008, is a 4 year plan (2011-2015) designed as a framework for delivering Gloucester's future, reflecting the unique nature of the city's character and the challenges faced by the council. f

4.2 The three key priorities of the strategy are:

1. Prosperity – Strengthening Gloucester's Economy
2. People – A City for Everyone
3. Place – Creating Pride in Our City

These three key priorities are underpinned by the following five principles:-

Leadership – We will provide strong, ambitious and enthusiastic leadership, putting the interests of the city first and we will act in an open and transparent way.

Sound Finance – We will strive for value for money and only spend what we can afford.

The Environment – We will consider the impact on the environment of everything we do.

Your Services – We will strive for top-performing services, built around you the customer, in partnership with the public, private and voluntary sectors.

People – We will consult and engage with the community to help shape the decisions we take, giving everyone a voice and looking after the most vulnerable in society.

- 4.3 The Council's major policy objectives, as detailed in 'Transforming Your City' were approved by Full Council at a meeting held on 24<sup>th</sup> March 2011. A copy of the 'Transforming Your City' Corporate Plan 2011-2014 can be found on the Council's website.
  - 4.4 In order to ensure that progress is being made against the aims and objectives detailed in the Corporate Plan, performance reports are produced to highlight achievements and address any challenges. These reports are reviewed by the Chief Executive and Directors (GLT), and members. Reports are also made available online on the Council's website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)
  - 4.5 An end of year, annual performance report was presented to GLT on 18<sup>th</sup> May 2012 and is scheduled to be presented to members.
  - 4.6 The Forward Plan contains matters which will be the subject of a 'key decision' and 'decisions relating to the Budget and Policy Framework'. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee have the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a period of twelve months. They are prepared on a monthly basis and subsequent plans cover a period beginning with the first day of the second month covered in the preceding plan. A copy of the Forward Plan is also published on the Council's web site.
  - 4.7 Data quality is important for Local Authorities as decisions are made based on data that is produced, and, the Council reports its performance to a wider audience. Internal Audit have an important role to play in reviewing and reporting on any data quality issues identified as part of their work.
- 5.0 Members and officers work together to achieve a common purpose with clearly defined functions and roles**
- 5.1 Members are responsible to the electorate and serve as long as their term of office lasts. Officers are responsible to the authority and carry out the Council's work under the direction of the Council, Executive and Committees.
  - 5.2 The relationship between Councillors and officers is essential to the successful working of the Council. This relationship within the authority is characterised by mutual respect, informality and trust. The Council has adopted a 'Councillor – Officer Relations' protocol to help councillors and officers perform effectively by giving guidance on their

respective roles and expectations, and, on their relationship with each other.

- 5.3 The Council has adopted a Scheme of Delegation detailing the delegation of responsibilities and functions to the Council, Cabinet, individual Cabinet Members, Committees, and, officers.

Under the Local Authorities (Members Allowances) (England) Regulations 2003, local authorities are required to have in place a scheme which sets out payments of allowances to councillors. The City Council formally adopts its allowances scheme for the forthcoming year at Annual Council. The Scheme for 2011-12, which was based on recommendations by an independent “Members Remuneration” panel, was adopted by the Council in May 2011.

- 5.4 Under Section 38 of the Localism Act 2011, the Council must approve and publish a senior pay policy statement before the start of the financial year to which it applies. The Council is expected to keep the statement under review and publish a new version each year. The Senior Pay Policy Statement for 2012/13 was approved by Council in March 2012.

**6.0 Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.**

- 6.1 The Council has adopted codes of conduct for Members and Officers. The code of conduct for Members is in accordance with the National Code of Local Government Conduct and complaints that Members have breached the Code are dealt with by the Council’s Standards Committee. Staff are also expected to maintain high standards of behaviour at all times. The standards of behaviour and other related matters are set out in an officer Code of Conduct which is based on a national model. The Council’s Constitution also contains a number of protocols in respect of Member/Officer and Member/Member relations, and a whistle-blowing policy for employees.

- 6.2 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Council view all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and how it can help improve the services provided. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the council’s complaint system.

- 6.3 During 2011/12, the following policies were reviewed and updated, Freedom of Information & Environmental Information Regulations Policy, Data Protection Policy, Subject Access Request Policy, Regulation of Investigation Act 2000 (RIPA) – Procedural Guide.

**7.0 Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.**

7.1 The Council is committed to efficient and effective decision-making and for ensuring that those responsible for decision-making are clearly identifiable to local people and that they explain reasons for decisions.

7.2 In accordance with the statutory requirement the Council has established an overview and scrutiny function. The Overview and Scrutiny function is a central element of the Council's aims and objectives and a key part of the democratic structure. The Overview and Scrutiny Committee meets in public to discuss and makes recommendations on the development of policies and to hold the Cabinet Members to account for both their actions and performance.

7.3 The Council's Democratic Services section maintains the up to date Register of Members' Interests on behalf of the Monitoring Officer and also ensures that Members are reminded at least annually to update their record. Declarations of Interest are a standard agenda item for each main Committee meeting. The requirement for staff to declare interests is included in the Officers Code of Conduct – Council Constitution Part 5, Codes and Protocols. .

7.4 Risk Management is essentially about good management practice and effective decision making. It can be defined as:

‘A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating monitoring and communicating risks associated with any activity, function or process in a way that will enable organisations to minimise losses and maximise opportunities’.

7.5 The Council recognises that all aspects of business risk must be managed. The Council has a Risk Management Strategy, the purpose of which is to provide a framework for the effective management of risks within the authority. The Strategy was reviewed in March 2012. It contains the objectives of the strategy, linked to the council key aims, and guidance on the risk management cycle and scoring of risks.

7.6 The Gloucester Leadership Team and Cabinet are responsible for reviewing the Council's Strategic Risk Register. A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the achievement of the Council's aims and objectives in the corporate strategy 'Your City' have been identified. .

7.7 The Council has established an Audit Committee. The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities’.

- 7.8 The Group Manager Legal and Democratic Services identifies any forthcoming relevant legislation and, together with the relevant Director, is responsible for ensuring that the Cabinet is appraised of the implications and what action the Council may need to take.
- 7.9 The Council has an agreed whistle-blowing policy under which members of staff may raise any concerns. The policy was reviewed during the year and a revised version was agreed by a joint meeting of the Audit Committee and Standards Committee in February 2012..

**8.0 Develop the capacity and capability of members and officers to be effective.**

- 8.1 The Council has the Investor in People (IIP) award, which is a national standard that sets a level of good practice for the training and development of people to achieve business goals.
- 8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. Feedback from the new approach to Member training adopted in 2010/11 was positive and therefore continued in 2011/12. It included the following:

- An induction pack for successfully elected Councillors
- A Members' Handbook issued to all Members of the Council
- An induction day, which included an introduction to the Council from the Council's senior management team and a market place event.
- A comprehensive extended induction programme featuring a wide range of topics.

In total 17 training courses were provided by the Council in 2011/12 and the total number of attendances was 177. This demonstrates that the new programme was well supported by Members of the Council in 2011/12, however, higher attendance levels are desirable at sessions held outside of the induction process..

**9.0 Engage with local people and other stakeholders to ensure robust public accountability.**

- 9.1 Council, Cabinet and committee meetings are open to the public with agendas and minutes being publicly available. Members of the public are able to ask questions at such meetings.
- 9.2 The council publishes a leaflet with its council tax demands which summarises financial performance and at the end of each financial year publishes the Statement of Accounts
- 9.3 The council has agreed and published a petitions scheme which details guidance and procedures for the way in which it deals with petitions

from members of the public which may include a debate at council or the matter being considered by the Cabinet, appropriate Committee, or a Forum.

- 9.4 In order to increase transparency and accountability in local government, central government introduced a legal requirement for council's to report upon the remuneration of senior employees, This information was published as part of its annual accounts. The Council's comprehensive Pay Policy Statement was also approved by full council on 22<sup>nd</sup> March 2012.
- 9.5 The council has a strong track record of partnership working with the public, private and voluntary sectors. It has established: an arms length management organisation, Gloucester City Homes (GCH), to manage, maintain and improve the council housing stock, a charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services, a separate legal entity, Marketing Gloucester Ltd, to promote the City, and, has entered into two strategic partnership contracts with the private sector for the provision of Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences), and the delivery of Revenues and Benefits services..
- 9.6 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, the Gloucester Leadership Team and members (Cabinet and/or Overview and Scrutiny Committee)

## **10.0 Review of effectiveness**

- 10.1 Gloucester City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior management team within the authority who have responsibility for the development and maintenance of the governance environment, the Group Manager Audit & Assurance annual report, and also by comments made by the external auditors and other review agencies and inspectorates.
- 10.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:-

## **11.0 The Council**

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the decision-making procedure laid out in the Constitution details the procedures designed to support open and accountable decision-making. During 2011/12, a number of further changes to the Constitution were made, and agreed by Council, to ensure it remained up to date. A copy of The Constitution can be found on the Council's website at [www.gloucester.gov.uk](http://www.gloucester.gov.uk).



## **12.0 The Cabinet**

- 12.1 The Council determines the budgetary and policy framework. The principal decision-making body is the Cabinet (Executive). The Cabinet took all Key Decisions. Key Decisions are subject to pre-scrutiny by the Overview & Scrutiny Committee.
- 12.2 The key statutory document that sets the agenda for a rolling programme of future key decisions is the Forward Plan; hence this is a critical factor in the Council's overall decision-making process.
- 12.3 All 'executive' decisions taken by Cabinet and individual Cabinet Members are published and may be subject to a call-in process for examination by the Overview & Scrutiny Committee.

## **13.0 The Audit Committee**

- 13.1 Good corporate governance requires independent, effective assurance about both the adequacy of corporate, operational and financial management and reporting, and the management of other processes required to achieve the organisation's corporate and service objectives. Effective audit committees help raise the profile of internal control, risk management and financial reporting issues within an organisation, as well as providing a forum for the discussion of issues raised by internal and external auditors.
- 13.2 The Terms of Reference for the Audit Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities.
- 13.3 As a result of the review of the effectiveness of the Audit Committee, which was undertaken in 2010, it was agreed that the Committee would produce an annual report detailing the work of the Committee. The first annual report was presented to Council in July 2011. The second annual report of the Audit Committee is planned to be presented to the July 2012 Council meeting.

## **14.0 The Standards Committee**

- 14.1 The Council has established a Standards Committee whose role is to promote and maintain high standards of conduct by Councillors and co-opted Members.
- 14.2 The introduction of the Localism Act 2011, has had a significant impact on the Standards Committee and ethical standards generally. The Act requires that:-

- the requirement for local authorities to have a Standards Committee is abolished, although such Committees may be appointed at the discretion of local authorities
- the requirement to adopt a statutory Member Code of Conduct is revoked, although Councils are free to adopt a local code should they so wish.
- The requirement for certain Member interests to be registered remains.
- Failure to register/declare an interest will be potentially punishable as a criminal offence.

14.3 In view of the above, in March 2012, Council recommended that:-

- the Standards Committee role be combined with the role of the Audit Committee, to establish an Audit & Governance Committee
- the Monitoring Officer be instructed to prepare and present to Council for adoption a draft Code of Conduct
- the draft Code of Conduct should include the requirement for registration and disclosure of interests which would constitute personal and/or prejudicial interests.

Work is currently underway to move towards the adoption of the necessary constitutional documents and processes.

## **15.0 Overview and Scrutiny Committee**

15.1 As part of the Council's Overview and Scrutiny arrangements, it was agreed that the Overview and Scrutiny committee would 'provide and co-ordinate the input to an annual report to Full Council on such issues or topics as the Committee saw fit'. The Annual Report setting out the work and achievements of the Council's Overview and Scrutiny function during 2011/12 is due to be reported to Council in July 2012

15.2 The Committee used an annual work programme to manage the business of the Committee during 2011/12 and there was an agreed programme of reviews to be carried out by Task & Finish Groups, with regular reporting on progress being made to the full Committee.

## **16.0 Internal Audit**

16.1 Internal Audit is a legislative requirement of the Accounts and Audit (England) Regulations 2011. This requires the authority to undertake an adequate and effective internal audit of its accounting records and of its system of internal control.

16.2 Gloucester City Council (GCC) and Stroud District Council (SDC) have formed the Gloucestershire Audit & Assurance Partnership (**G A A P**) in order to deliver a professional, cost effective, efficient internal audit function to the partner organisations. The provision of the Internal Audit Service is by a team consisting of 6 staff; 3 based at GCC and 3 based

at SDC. In addition, the team is managed by the Head of Partnership, who is the GCC Group Manager Audit & Assurance.

- 16.3 The Accounts and Audit Regulations also require the authority to review the effectiveness of its internal audit at least once a year, and that the findings of this review should be included in the Annual Governance Statement.
- 16.4 This review consisted mainly of a self-assessment against the CIPFA Code of Practice for Internal Audit in Local Government in the UK 2006, and the results were reviewed by the Council's Corporate Director of Resources, and will be reported to the Council's Audit & Governance Committee in June 2012. The overall conclusion from the review was that internal audit at GCC is effective. Although the self-assessment identified a number of 'gaps' in compliance with the CIPFA Code of Practice, these do not materially effect the reliance the Council can place on the Group Manager Audit & Assurance's opinion on the adequacy of the control environment.
- 16.5 Internal Audit work is carried out to the standards outlined in the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom 2006' (the Code). The Code requires the Head of Internal Audit to 'provide a written report to those charged with governance timed to support the Annual Governance Statement'. The 2011-12 report by the Group Manager Audit & Assurance concludes:-

"My overall opinion is that an satisfactory level of assurance can be given that there is generally a sound system of internal control, designed to meet the Council's objectives, and that controls are generally being applied consistently."

## **17. External Audit and Other Review/Assurance mechanisms**

### External Audit

- 17.2 External Audit is part of the process of accountability for public money. It makes an important contribution to the stewardship of public resources and the corporate governance of public services. The scope of External Audit work covers not only the audit of financial statements but also aspects of corporate governance.
- 17.3 In September 2011, the Council's External Auditor produced their 'Report to those charged with governance (ISA 260) relating to the 2010/11 audit of the Council's financial statements. In relation to 'audit matters of governance interests that arise from the audit of the financial statements' the report concluded that 'we have included a number of comments throughout this report which we feel merit the attention of the Audit Committee but there are no additional matters which we wish to draw specifically to your attention'.

- 17.4 The main issues identified in the ISA 260 report related to the quality and timeliness of the draft accounts, of the 11 agreed audit adjustments to the councils accounts.
- 17.5 The audit of the financial statements in previous years resulted in a greater amount of resource from KPMG to complete their work. This was partly due to vacancies in the financial services team in the period leading up to and during the production of the statements and during the audit itself. For the 2009/10 and 2010/11 accounts and audit process, the Council put further effort and resource into improving its financial reporting arrangements which improved the direction however, further technical resources have been approved by the Director of Resources to cover the 2011/12 year end to mitigate against more recent vacancies and technical skills gaps.

#### Director of Resources

- 17.6 The work of both Internal and External Audit has further confirmed the Director of Resources' view, endorsed by GLT and the Corporate Governance Group, that essential ongoing improvement to ownership and accountability for financial management issues need to be fully embedded across the Council, supported by the financial services team. This includes further building on the improved monitoring arrangements, to include the production of the council's annual financial statements and improved modelling of future budget options within services.
- 17.7 During the course of 2011/12 as part of the Director's required improvements in financial management, the council-wide 'LEAN' review of financial processes continued. This project aims to embed greater ownership of budgets and financial management with budget holders and managers. As a result of the improved processes, it is also identifying freed-up resources and financial savings. This work is ongoing and the Director has stated that this project remains essential and fundamental to enable the further step change in Financial Management across the authority, that he has identified and stated as being necessary for the council to achieve, including the need to further bolster the technical accountancy resource within the council and to improve ongoing resilience.
- 17.8 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the achievement of the Council's aims and objectives in the corporate strategy 'Your City' have been identified.
- 17.8 During the year, in addition to the Member Risk Management Champion role, the Director's recommendation to introduce an officer Risk Management Champion has been implemented. The post helps

ensure that risk management is further embedded within the organisation.

#### Other sources of Assurance

17.9 A further source of assurance has been obtained from the use of Management Assurance Statements. These Statements have been issued to all Directors and Group Managers, and they have been requested to complete, and to identify any significant internal control issues within their portfolio. There were no significant control issues identified.

16.9 We have been advised of the implications of the result of the review of the effectiveness of the governance framework by the Corporate Governance Group. A plan to ensure continuous improvement of the system is in place and key actions identified is appended to this statement.

#### **17.0 Significant governance issues**

17.1 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

#### **Signed**

**Paul James**  
**Leader of the Council**

**Julian Wain**  
**Chief Executive**

## Annual Governance Statement Action Plan 2012-13

No.	Core Principle	Governance issue	Responsible Officer	Action Required
1	Promote values for the authority and demonstrate the values of good governance through the upholding of high standards of conduct and behaviour.	The Localism Act 2011 makes fundamental changes to the system of regulation of standards of conduct for elected and co-opted Councillors.	Director of Resources/Group Manager Legal & Democratic Services	There remains a lot do to in order to fully implement the standards regime envisaged by the Localism Act 2011. The remuneration levels for the Independent Person need to be set and arrangements are being made for this to happen. The detailed Regulations on Disclosable Pecuniary Interests have yet to be formally published and this impacts on preparation of the Register maintained by the Monitoring Officer, the preparation of Standing Orders for requiring Members to withdraw where they have DPis and, more importantly, on training and guidance for Members. This is especially important as breach of the legislation on interests is a criminal offence. The Monitoring Officer will provide as much up-to-date information as is available to Members and produce further draft documents for consideration by Members where possible.
2	Take informed and transparent decisions, which are subject to effective scrutiny and managing risk.	A current review (May 2012) of the Register is being undertaken to ensure any risks associated with the achievement of the	Corporate Director of Resources/Group Manager Audit & Assurance	Report outcomes of latest register review to GLT, cabinet and the Member Champion for Risk Management. Ongoing

No.	Core Principle	Governance issue	Responsible Officer	Action Required
		Council's aims and objectives in the corporate strategy 'Transforming Your City' have been identified		