

**Annual  
Governance  
Statement**

RISK LEADERSHIP  
INFORMATION ASSURANCE  
PUBLIC COMMUNICATION  
FINANCIAL MANAGEMENT  
TRANSPARENCY OF DECISION MAKING  
CULTURE  
SKILLS  
RESPONSIBILITY  
PARTNERSHIPS  
ENGAGEMENT  
ACCOUNTABILITY  
ALTERNATIVE DELIVERY MODELS  
ENVIRONMENT  
PERFORMANCE

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# 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 Local Code of 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 and Protocols), or can be obtained from the Council's Head of Audit Risk Assurance or the Monitoring Officer. This statement explains how Gloucester City Council has complied with the code and also meets the requirements of regulation 6(1b) of the Accounts and Audit Regulations 2015 in relation to the preparation 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 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 2016 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 Governance that is based around a number of key principles. The six core principles (underpinned by a number of supporting principles) are summarised below:



- Core Principle 1: Gloucester City Council aims to focus on its purpose and on outcomes for the community, creating and implementing a vision for the local area with partners.
- Core Principle 2: Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Core Principle 3: Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Core Principle 4: Taking informed and transparent decisions, which are subject to effective scrutiny and managing risk.
- Core Principle 5: Developing the capacity and capability of Members and officers to be effective.
- Core Principle 6: Engaging with local people and other stakeholders to ensure robust public accountability.

- 3.3 Further details on the principles, together with a commentary on the current level of organisational compliance, are provided within this statement.

#### 4.0 **Core Principle 1: 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 2015/16 were detailed in the Council Plan. This is a four year Plan (2014–2017) 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. A copy of the Council Plan 2014-2017 can be found on the Council's website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)

4.2 The Council Plan 2014-2017 contains four key priorities which are underpinned by a number of objectives, as detailed below:

- Priority 1: Prosperity – Growing Gloucester’s Economy:
  - Attracting investment, nurturing and encouraging enterprise
  - A City with skills and job opportunities
  - A thriving centre and regeneration of the City
- Priority 2: People – Working with our communities
  - Listening to our residents
  - An active, healthy and safe city for all to enjoy
  - A City for Everyone
- Priority 3: Place – Pride in Our City and improving our environment
  - A greener Gloucester
  - A distinctive cultural offer for the City
  - Affordable and decent housing for all
- Priority 4: Performance – Sound finances and strong performance
  - Sound Finances
  - Improving performance

4.3 Up to mid-year 2015/16, in order to ensure that progress had been made against the aims and objectives detailed in the Corporate Plan, monthly performance reports were produced to highlight achievements and address any challenges. These reports were reviewed during the year by the Senior Management Team (SMT) and Members, and published on the Council’s website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)

4.4 Following Council organisational change within 2015/16 (including the appointment of the joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council, and recruitment for the two Corporate Director posts), the Council’s corporate performance management and reporting approach has been identified as an area for review – to enable performance management to reflect organisational change and meet the needs of the Council. The review is targeted for completion within 2016/17 (see **Appendix 2**).

4.5 The Forward Plan contains matters which will be the subject of a ‘key decision’ and ‘decisions relating to the Budget and Policy Framework’. In the interests of transparency, it also includes matters which are non-key decisions. Proposals relevant to the Budget and Policy Framework are subject to a period of consultation and the Overview and Scrutiny Committee has the opportunity to respond in relation to the consultation process. Forward Plans are prepared by the Leader of the Council, and cover a rolling period of twelve months. The plans are reviewed regularly within year, to ensure they are up to date and complete. A copy of the Forward Plan is also published on the Council’s website [www.gloucester.gov.uk](http://www.gloucester.gov.uk)

- 4.6 In order to provide services to meet the needs of the community, the Council needs to obtain the views of those being served. This will allow the Council to obtain sound evidence for the decisions that are made, as well as supporting redirection of resources where necessary. The GovMetric system is used by the Council for consultation exercises (e.g. budget consultation 2015/16) and to aid the gathering of customer feedback on service delivery at the point of interaction (e.g. through the feedback request on the Council web site [www.gloucester.gov.uk](http://www.gloucester.gov.uk)). Wider use of GovMetric will be considered within the review of the Council's corporate performance management approach (see **Appendix 2**).

**5.0 Core Principle 2: 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 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, expectations and relationship with each other.
- 5.3 During 2014/2015 Members of both Gloucester City Council and Gloucestershire County Council endorsed the appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council. The fundamental role of this new position was for the progression and development of both Councils' strategic objectives by ensuring the essential links are in place across both organisations through understanding the needs and capacity of our community. Following a recruitment and selection process in March 2015 an appointment was made and the position was filled with effect from 6th July 2015.
- 5.4 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.
- 5.5 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 scheme of payments at the City Council is based on the recommendations of the independent Members' Allowances panel. The last detailed review of Members Allowances took place in 2010 when a small increase to the Basic Allowance was proposed by the Panel and agreed by the Council, along with a small number of other amendments. Since that time the Panel has recommended that allowances be frozen at the 2010/11 levels each year and the Council has recommended the Panel's recommendations on each occasion.
- 5.6 The current review of the scheme of payments for Members has recently been concluded by the independent Members' Allowances panel. The recommendation for a revised Members Allowance Scheme for 2015/16 was approved by Council at its meeting on 22<sup>nd</sup> January 2015.

- 5.7 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 2015/16 was approved by Council at its meeting on 18<sup>th</sup> March 2015.

**6.0 Core Principle 3: 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 was amended during 2012/13 to take account of changes required by the Localism Act 2011. The revised Member Code of Conduct was approved by Council in July 2012. Within 2015/16, the Monitoring Officer received 2 formal complaints against Members. One complaint was held to be unfounded and the other complaint was resolved informally, in line with the Council's relevant standards. This has been confirmed within the Standards Report presented to Audit and Governance Committee as at 18<sup>th</sup> January 2016 (covering the period 1<sup>st</sup> April 2015 to the date of Committee). A verbal update by the Council Monitoring Officer, to summarise the full 2015/16 position, is scheduled for Audit and Governance Committee on 20<sup>th</sup> June 2016.
- 6.2 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. A copy of this Code is contained in the Council's Constitution. 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.
- 6.3 The Council has a complaints procedure that enables dissatisfied members of the public to raise concerns. The Complaints Policy was last revised and agreed by Council in September 2014. The Council views all comments, whether they are complaints or compliments, as a valuable way of collecting continual feedback about services and identifying how it can improve the services it provides. Complainants may also refer matters to the local government ombudsman for investigation once they have been through the Council's complaint system if they are dissatisfied with the Council's response. Two complaints were upheld by the Ombudsman within 2015/16 (both were council tax liability disputes) and were reported to Audit and Governance Committee on 18<sup>th</sup> January 2016. In both cases the Ombudsman decision was there was fault by the Council, however the Ombudsman considered that the steps taken by the Council to rectify the situations were satisfactory and that no further action was required in either case.
- 6.4 The Council's Audit and Governance Committee receives an annual report on complaints and compliments monitoring - the 2015/16 report is due to be presented to Audit and Governance Committee at the June 2016 meeting.
- 7.0 Core Principle 4: 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 the decision-makers explain the reasons for their 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 make recommendations on the development of policies and to hold the Cabinet and Cabinet Members to account for both their actions and performance.
- 7.3 The Council's Democratic Services team 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:
- 'The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the Council achieving its priorities and objectives'*
- 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. It contains Strategy objectives, linked to the Council's key aims, and guidance on the application of risk management principles and practice, including the risk management cycle and a standardised approach for the scoring of risks. The Strategy was last reviewed and approved by Members in January 2015, by Audit and Governance Committee and Cabinet. Officer review of the Strategy was completed in 2015/16 and confirmed no Strategy update was required. A planned action is in place for review of the Risk Management Strategy against expected new standards within 2016/17 (see **Appendix 2**).
- 7.6 The Senior Management Team and Members (through Audit and Governance Committee and Cabinet) are responsible for reviewing the Council's Strategic Risk Register. The Strategic Risk Register has been a regular agenda item for 2015/16 SMT meetings to ensure any risks associated with the Council's aims and objectives have been identified and are being managed. The last Member review of the Strategic Risk Register was undertaken by Audit and Governance Committee in November 2015 and Cabinet in December 2015.
- 7.7 The Council has established an Audit and Governance Committee. The Terms of Reference for this Committee are in accordance with the best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) entitled "Audit Committees – practical guidance for Local Authorities and Police", 2013 Edition.



- 7.8 Prior to the 1<sup>st</sup> April 2015, the Head of Legal and Policy Development and Monitoring Officer identified any forthcoming relevant legislation and together with the relevant Director, was responsible for ensuring that the Cabinet was appraised of the implications and what action the Council might need to take. From the 1<sup>st</sup> April 2015, this role has been undertaken by One Legal, the Council's legal services provider, following the introduction of a formal shared service agreement.
- 7.9 The Council has an agreed Whistleblowing policy which applies to all employees, contractors working for the Council on Council premises, suppliers and those providing services under a contract with the Council in their own premises. A review of the Whistleblowing policy, together with all the other Council anti-fraud policies was undertaken in March 2015.
- 7.10 New guidance has been issued within 2016 regards Fighting Fraud and Corruption Locally, which is supported by the CIPFA Counter Fraud Centre. The Council will undertake a self-assessment against the new guidance within 2016/17 (including review of the Council's Anti-Fraud and Corruption Strategy), to confirm the Council's position and identify areas for development (see **Appendix 2**).

## **8.0 Core Principle 5: Develop the capacity and capability of Members and officers to be effective**

- 8.1 The Council is developing a Workforce and Organisational Development Strategy, which includes a refresh of the Council values. Approval of the Strategy is targeted for within 2016/17 (see **Appendix 2**) and coverage is planned to include (but not be exclusive to):
- Communication – The inclusion of all staff. Clear and concise messages. We want our employees to have access to the information they need at the right time and in the right way.
  - Staff Engagement – Increase motivation, increase morale and reduce absences. We want employees to feel listened to, consulted and involved in the decision making and our culture and values to be understood and demonstrated throughout the Council.
  - Leadership and Management - To develop management and leadership capacity. To build confidence in managers to lead changes and develop new behaviours for themselves and staff. We want our leaders and managers to demonstrate our values and portray the behaviours and characteristics that both support and motivate our employees whilst leading, driving forward, challenging and taking responsibility for continuous improvement through innovation and the ability to think 'out of the box'.
  - Workforce - To build capability through developing the right skills to be a successful organisation. We want a committed and motivated workforce which is skilled and flexible, which can adapt to the changing needs of both our customers and the Council, and which feels valued and empowered.
  - Resourcing and Talent Management - To attract and retain staff and maximise productive output. Succession planning. We want the right people,

with the right skills at the right time, in the right place to be delivering excellent service.

8.2 Access to Member Development is a key element of the Local Code of Corporate Governance. In January 2016, the Member Development Working Group, with cross party membership, was formed to review Member development. The terms of reference for this Group were as follows:

- Provide a Councillor-led strategic approach to councillor development;
- Provide a high-quality and relevant Member induction programme;
- Monitor, advise and promote internal and external Councillor learning and development activities;
- Ensure that Member development activities are in line with the Council's objectives and address forthcoming local government and legislative changes;
- Champion Councillor learning and development opportunities in the respective groups; and
- Evaluate the investment in Councillor learning and development to assess achievement and improve future effectiveness.

8.3 Member training in 2015/16 included the following:

- Compulsory new Member training – covering the Council's Democratic process; the Standards and Code of Conduct; and Access to and management of information – Members' rights and responsibilities;
- Licensing and the Committees;
- Planning and the Committee; and
- Audit and Governance Committee training.

8.4 An output of the Member Development Working Group was a detailed Member Induction Timetable 2016/17 for new and returning Members. This training will be delivered following the May 2016 elections.

## **9.0 Core Principle 6: 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 and, with effect from 27 March 2014, the Council decided to allow the public to record its public meetings. A protocol setting out the Council's rules on recording has been adopted and is contained in the Council's Constitution.

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 a Statement of Accounts. A comprehensive annual budget consultation process is also undertaken with residents, voluntary sector groups and local businesses.

9.3 The Council has agreed and published a petitions scheme that details guidance and procedures for the way in which it deals with petitions from members of the public. This 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 councils to report upon the remuneration of senior employees. This information was published as part of the City Council's annual accounts and the Senior Pay Policy Statement for 2015/16 (see AGS para 5.7).
- 9.5 The Council has a strong track record of partnership working with the public, private and voluntary sectors. It has established:
- A charitable trust, Aspire Sports and Cultural Trust, to manage its leisure services.
  - Marketing Gloucester Ltd, to promote the City.
  - Entered into three strategic partnership contracts with the private sector for the provision of:
    - Streetcare services (street cleansing, waste collection, grounds maintenance and public conveniences) (Amey);
    - Revenues and Benefits services (Civica); and
    - IT managed services (Civica).
- 9.6 As a result of the appointment of a joint Managing Director and Commissioning Director (see para.5.3) and a number of formal partnerships being put in place for a small number of back office services, in June 2015, Cabinet approved a High Level Implementation Plan for further partnership working with Gloucestershire County Council.
- 9.7 A Memorandum of Understanding between the City Council and Gloucestershire County Council has been agreed which underpins the commitment of both organisations to work together to improve service delivery. The purpose and scope of the Agreement is to agree and implement a programme that will look at all back office services and appropriate frontline customer services being delivered by Gloucestershire County Council on behalf of Gloucester City Council. As part of this programme, consideration will also be given to exploring and implementing those areas of the business that Gloucestershire County Council could commission from the City Council or assist the City Council in delivering objectives within its Council Plan. Examples of joint working between the two Councils within 2015/16 are:
- The appointment of a joint role of Managing Director for the City Council and a Joint Strategic Commissioning Director for Gloucestershire County Council: approved at Council on 18<sup>th</sup> March 2015;
  - Internal Audit and Risk Management shared service: approved at Council on 18<sup>th</sup> March 2015;
  - Human Resources shared service: approved at Council on 17<sup>th</sup> June 2015; and
  - Payroll service delivery by Gloucestershire County Council through a Service Level Agreement: service provision in place from June 2012 onwards.
- 9.8 Monitoring arrangements for the major partnerships are delivered through a combination of client/contractor meetings, partnerships/shared service boards, the Senior Management 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 arrangements, the annual report of the Head of Audit, Risk and Assurance, and also by reports issued by the Council's external auditors and other review agencies and inspectorates.
- 10.2 The processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows (paragraphs 10 to 16):

## **11.0 The Council**

- 11.1 The Council has adopted a Constitution that controls how the Council is structured and the Council's decision-making procedure, designed to support open and accountable decision-making. During 2015/16 a number of changes were made to the Constitution to ensure it remained up to date, principally to reflect changes required as a result of the departure of the Chief Executive and the sharing of the Head of Paid Service role between the two Corporate Director posts (approach in place up to the appointment of the City Council Managing Director – in post from July 2015). These changes were agreed by Council on 21<sup>st</sup> May 2015. A copy of the Constitution can be found on the Council's website at [www.gloucester.gov.uk](http://www.gloucester.gov.uk)
- 11.2 Following further organisational change within 2015/16 and the appointment of the City Council Managing Director, subsequent review of the Council Constitution was completed in quarter 4 2015/16 and led by the Head of Paid Service. The Constitution review purpose was to identify required minor amendments to reflect organisational change; amendments proposed to streamline the Constitution; and amendments to realign decision-making structure to ensure they meet the needs the needs of the Council. The updated Constitution was submitted to Council for review and adoption on 23<sup>rd</sup> May 2016.

## **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 in 2015/16. Key Decisions are subject to pre-scrutiny by the Overview and 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 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 and Scrutiny Committee.

## **13.0 The Audit and Governance 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 good governance, risk management, internal control and financial reporting issues within an organisation, as well as providing a forum for the discussion of matters raised by internal and external auditors.

- 13.2 The Terms of Reference for the audit and governance elements of the Audit and Governance Committee cover the core functions of an audit committee as identified in the CIPFA guidance 'Audit Committees – Practical Guidance for Local Authorities and Police'. The Audit and Governance Committee used an annual work programme to manage the business of the Committee during 2015/16.
- 13.3 An Audit and Governance Committee role is to promote and maintain high standards of conduct by Councillors and co-opted Members. The Annual Standards Report was presented to Audit and Governance Committee in January 2016.
- 13.4 In accordance with good practice guidance for audit committees, the 2015/16 Annual Report of the Audit and Governance Committee (which details the work and achievements of the Audit and Governance Committee during 2015/16), is due to be reported to Council on 21<sup>st</sup> July 2016 (following review and recommendation by Audit and Governance Committee due on 20<sup>th</sup> June 2016).

#### **14.0 Overview and Scrutiny Committee**

- 14.1 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 2015/16 is due to be reported to Council on 21<sup>st</sup> July 2016.
- 14.2 The Overview and Scrutiny Committee used an annual work programme to manage the business of the Committee during 2015/16 and there was an agreed programme of reviews to be carried out by Task and Finish Groups, with regular reporting on progress being made to the full Committee.

#### **15.0 Internal Audit**

- 15.1 Internal Audit is a legislative requirement of the Accounts and Audit Regulations 2015. The Regulations state '*A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*'
- 15.2 With effect from 1<sup>st</sup> June 2015, the existing internal audit shared service between Gloucester City Council and Stroud District Council was extended to include Gloucestershire County Council, who became the new host authority for the shared service, which also included a risk management service across all three partners. As a result of the new host authority, the City Council internal audit staff were transferred to Gloucestershire County Council.
- 15.3 The governance arrangements for the new internal audit shared service include a Shared Services Board which consists of the Chief Financial Officers (s151

Officers) from each of the three Councils. The role of this Board is to oversee the strategic delivery of the internal audit and risk management function / service to each authority.

15.4 The Public Sector Internal Audit Standards (PSIAS) require the authority to review the effectiveness of its internal audit function at least once a year, and that the findings of this review should be included in the Annual Governance Statement.

15.5 The review for 2015/16 consisted of an External Quality Assessment (an independent assessment of the effectiveness of an internal audit function) of the Gloucestershire County Council internal audit service. This review was undertaken during May 2015 by the Chartered Institute of Internal Auditors and included a review of the team's conformance to the International Professional Practice Framework (IPPF) as reflected in the PSIAS, benchmarking the function's activities against best practice and assessing the impact of internal audit on the organisation. There are 56 fundamental principles to achieve with more than 150 points of recommended practice in the IPPF. The independent assessment identified 100% conformance. The Chartered Institute of Internal Auditors stated: *'It is our view that GCC's internal audit function conforms to all 56 principles. This is excellent performance given the breadth of the IPPF and the challenges facing the function'*. The internal audit shared service plans to apply consistent systems and processes which will support compliance across the shared service partners.

15.6 Internal Audit work is carried out to the standards outlined in the PSIAS. The Standards require the Chief Internal Auditor to provide an objective and evidence based annual opinion to those charged with governance on the effectiveness of the Councils governance arrangements, which includes the adequacy of the mitigating controls in place that manage the key risks. The opinion then feeds into the Council's Annual Governance Statement. The Head of Audit Risk Assurance (Chief Internal Auditor's) annual report 2015/16 concluded:

*'A satisfactory level of assurance can be given that there is a generally sound system of internal control in place at the Council (designed to meet the Council's objectives). In providing my opinion it should be noted that assurance can never be absolute. The most that Internal Audit can provide is a reasonable assurance that there are no major weaknesses in risk management arrangements, control processes and governance.'*

15.7 The Standards also state that, within this written report to those charged with governance, the Council's Chief Internal Auditor should identify any issues that are relevant to the preparation of the Annual Governance Statement. The 2015/16 report by the Chief Internal Auditor states:

*'From the risk based Internal Audit assignment work undertaken during 2015/16, there are no issues of which I am aware which I regard as sufficiently significant to be considered in relation to the preparation of the Council's Annual Governance Statement. Whilst the Internal Audit work undertaken did result in one audit with an Unsatisfactory level of assurance (Choice Based Lettings), in my view, the weaknesses identified are not deemed to be significant governance issues.'*

## **16.0 External Audit and Other Review/Assurance mechanisms**

## External Audit

- 16.1 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.
- 16.2 In September 2015, the Council's external auditor produced their 'Report to those charged with governance' (ISA 260) relating to their audit of the Council's 2014/15 financial statements. The headlines from the ISA 260 report were that:
- The auditors anticipated issuing an unqualified audit opinion by the 30 September 2015 (which was subsequently issued).
  - The auditors reported that the Council's Annual Governance Statement 2014/15 *'complies with Delivering Good Governance in Local Government: A Framework published by CIPFA/SOLACE; and it was not misleading or inconsistent with other information (they were) aware of from (their) audit of the financial statements.'*
  - The audit identified a small number of presentational adjustments required to the accounts were compliant with the Code of Practice on Local Authority Accounting in the UK 2014/15, which had subsequently been adjusted by management.
  - The auditors noted a continued improvement in place for the production of the accounts and the supporting working papers.
  - The auditors concluded that the Authority had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## Gloucestershire Airport

- 16.3 The Council is a 50% shareholder of Gloucestershire Airport, which is a company limited by shares, and is subject to the requirements set by the Companies Act. There is a Board of Directors, including a Managing Director and Head of Operations, which monitors the company's performance and is responsible for internal control activities. The statutory accounts are audited each year by a private firm of accountants, and presented to the board and shareholders; they are approved at the AGM. The Council's Head of Finance or designated representative receives regular management accounts for the airport.
- 16.4 The City Council commissioned a strategic review of the airport in 2013. The review findings included recommendations that the shareholding councils should carry out a further review of governance arrangements. A report on the governance arrangements was issued by York Aviation in June 2014 and the recommendations from the report were approved by Council in July 2014. The approved governance recommendations have now been actioned and were in place in 2015/16 – including a quarterly Shareholder Forum and the appointment of a Non-Executive Director.

## Head of Finance Statement (Chief Financial Officer - s151 Officer)

- 16.5 To comply with the CIPFA Code of Practice on Local Authority Accounting, a specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief

Financial Officer in Local Government (2010) to ensure an effective system of internal control is maintained and operated in connection with the resources concerned. The Head of Finance has confirmed that the authority's financial management arrangements conform with the CIPFA Statement, and has also made the following comments in paragraphs 16.6 to 16.12 below:

16.6 The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the council. In particular, the system includes:

- Budget systems;
- Reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of financial reports which indicate actual expenditure against the forecasts; and
- Capital expenditure arrangements and project management disciplines.

16.7 The review of the effectiveness of the system of internal financial control is informed by:

- The work of managers within the Council;
- The work of internal auditors as described above, and
- The external auditors in their annual audit letter and other reports.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

16.8 The arrangements for internal audit are as set out in the Annual Governance Statement (paragraph 15) and I am satisfied that they operate to a defined standard. A review of the effectiveness of internal audit has been undertaken and reported to the Audit and Governance Committee. The Head of Internal Audit Chief Internal Auditor has also provided an independent opinion in her annual report stating that she is satisfied the council has an adequate control environment in place.

16.9 During 2015/16 the Council has continued to implement and improve the ownership and accountability for financial management. All budget holders receive regular monthly budget meetings to ensure delivery and value for money. Formalised regular reporting to and subsequent formal scrutiny by members has also been embedded

16.10 The Council has completed its financial statements for the last three consecutive financial years earlier than ever before in the life of the Council. The challenge was to make these changes sustainable. The embedded Financial Services team stability has assisted in delivering improved financial management and reporting for the Council. This has ensured both short term and long term service resilience.



- 16.11 Risk Management is the process by which risks are identified, evaluated and controlled, and is a key element of the governance framework. Ongoing reviews of the strategic risk register has been undertaken throughout the year to ensure any risks associated with the achievement of the Council's aims and objectives in the Council Plan 2014-2017 have been identified. Regular reviews of service plans and risk registers and the Strategic Risk Register are carried out by SMT supported by the Officer Risk Management Champion.
- 16.12 The Council's governance controls have been strengthened within 2015/16 through the implementation of the:
- Revised Corporate Governance Board: The Group meets bi-monthly with the goal to review the Council's governance framework, identify areas for development and action them accordingly. Actions within 2015/16 have included update of the Constitution (AGS para 11.2) and approval and roll out of the Annual Governance Statement assurance checklist process.
  - New Information Governance Group: The Group meets bi-monthly, is led by the Council's Senior Information Risk Owner and contains representatives from ICT, Legal, Internal Audit and Finance. The Group's remit within 2015/16 has included review and implementation of the Council's policy management system, review and update of core information governance policies (e.g. the Data Protection Policy, IT Acceptable Use Policy and Public Service Network (PSN) Policy), and review of Information Commissioner's Office (ICO) matters.

#### Other Sources of Assurance

- 16.13 Every Director/Head of Service is responsible for delivering the objectives set out in their service plan. Directors/Heads of Service are responsible for identifying and managing the risks that may affect delivery of their service objectives. This work includes monitoring the effectiveness of controls put in place to mitigate the risks and carrying out remedial action where controls are weak or not in place. Each Director, and nominated Head of Service, is required to assist the preparation of the AGS for the Council by providing an assurance statement for the internal control framework operating within their service(s). An assurance checklist is initially completed and signed off by each nominated Head of Service following their self-assessment, identifying any areas of positive governance initiatives and/or significant control issues, the actions taken to address them and the timescales for completion. For 2015/16 the statements were then submitted to the Section 151 Officer for review, to provide assurance that appropriate governance arrangements are in place within all services within the Council.
- 16.14 To enable the Council to provide reliable evidence to underpin the assessment of risk and control, each section within the assurance statements / self-assessment checklist provides Management with the opportunity to summarise the key types of assurance they receive and the level of reliance they place on that assurance.
- 16.15 If, having considered the checklists submitted by the Heads of Service, the Section 151 Officer is satisfied that appropriate arrangements are in place in each area, or that any weaknesses identified have a timescale for improvement, he will be able to countersign the statement. Any remedial actions identified are monitored by the

Section 151 Officer to ensure all actions are completed within the specified timescales.

16.16 When the Senior Management Team are confident that there are robust governance arrangements in place within their areas of responsibility, or whether any further improvement actions are needed, the signed assurance statements and an overarching composite statement are provided to the Managing Director, highlighting any improvement areas for final sign off. This is designed to provide final assurance to the Leader and the Managing Director that there are appropriate arrangements in place within all areas under the control of each Director for the proper governance of Council business.

16.17 Key themes raised by the Heads of Service Assurance Statements 2015/16 were as follows:

- The Council has had reasonably good governance arrangements in place within 2015/16.
- Governance good practice or development areas actioned within the year:
  - Revised Corporate Governance Board (AGS para 16.12);
  - New Information Governance Group (AGS para 16.12);
  - Enhanced officer/member decision making processes (AGS para 11.2);
  - Review of Constitution (AGS para 11.1 and 11.2);
  - New Members Induction Programme (AGS para 8.4); and
  - Members Development Working Group (AGS para 8.2).
- Governance areas for development and improvement within 2016/17 (see **Appendix 2**):
  - Business Continuity Management;
  - Risk management in partnerships and contracts;
  - Sustainable development – climate change, environmental risk;
  - Anti-fraud and corruption strategy and whistleblowing procedures – new CIPFA Code of Practice released – review and update required; and
  - HR – work force strategy planning.
- Other key areas of consideration (see **Appendix 2**):
  - Devolution – future governance arrangements;
  - Chief Internal Auditor to undertake a self-assessment against new CIPFA guidance on the Annual Governance Statement and its associated assurance framework – action plan to be discussed and agreed at Governance Board.

16.18 The Leader and Managing Director of the Council have a responsibility to ensure that the document is supported by an embedded assurance framework, reliable evidence and accurately reflects the Council's governance framework.

## **17.0 Significant governance issues**

17.1 To the best of our knowledge, the governance arrangements, as defined above and within the Council's Local Code of Corporate Governance, have been effectively

operating during the year with the exception of those areas identified in **Appendix 2**. 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**

**Jon McGinty**  
**Managing Director**

**Progress on 2014/15 Governance Improvement Actions**

The Annual Governance Statement 2014/15, approved by Audit and Governance Committee on 1<sup>st</sup> July 2015, did not raise specific governance areas for resolution/development and therefore did not include an Improvement Plan – 2014/15 Governance Improvement Actions. Progress review not required.

## Improvement Plan – 2015/16 Governance Improvement Actions

As a result of the 2015/16 review of governance arrangements, the following governance issues were identified.

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 1	<p><b>Governance in working with others:</b> The Council is required to focus on the purpose of the authority and on outcomes for our customers and stakeholders and creating and implementing a vision for the local area.</p> <p>The Council has joined with ten of our public sector partners to have one conversation with government about how through devolution we can achieve better outcomes and reduced costs.</p> <p><b>Action:</b> The devolution bid, if successful, includes a commitment to a new governance arrangement. This is a statutory process and will be led by the Managing Director. The process will include consultation and engagement with the organisations involved and other stakeholders.</p>	To be determined - depending upon outcome of bid
Revised CIPFA Guidance on Delivering Good Governance 2016	<p><b>CIPFA - Delivering Good Governance in Local Government : Framework (2016 Edition):</b> The Council currently prepares and publishes an Annual Governance Statement in accordance with the CIPFA Delivering Good Governance in Local Government 2007 (Addendum 2012).</p> <p>This guidance/framework has been refreshed and defines the principles that should underpin the governance arrangements of the Council and applies to the annual governance statements prepared for the financial year 2016/17 onwards.</p> <p><b>Action:</b> The Chief Internal Auditor to test the Council's governance arrangements and be able to demonstrate that its governance structures comply with the core and sub principles contained within the revised framework. To then develop and maintain, on behalf of the Council, a local code of governance / governance arrangements reflecting the principles set out.</p>	31st March 2017

Review reference	Action	Target date
Local Code of Corporate Governance Core Principle 3	<p><b>Anti-Fraud and Corruption Strategy:</b> The Council is required to promote values for the authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.</p> <p>The Fighting Fraud and Corruption Locally 2016–2019 strategy has been developed by local authorities and counter fraud experts and supported by the CIPFA Counter Fraud Centre.</p> <p>It is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The strategy includes practical steps for fighting fraud, shares best practice and brings clarity to the changing anti-fraud and corruption landscape.</p> <p><b>Action:</b> During 2016/17 the Chief Internal Auditor will undertake a self-assessment against the new guidance to measure the Council’s counter fraud and corruption culture and response and propose enhancements as required.</p>	31st March 2017
Annual Governance Statement para 4.4	<p><b>Corporate performance management:</b> The Council Plan details the priorities and strategic objectives of the local authority. Performance review and management against the Corporate Plan is needed to ensure internal and external (e.g. stakeholder) awareness and understanding of the Council’s progress against the objectives and further action required.</p> <p><b>Action:</b> The Corporate Director (Partnerships) will undertake a review of the Council’s corporate performance management approach, to ensure that they reflect the needs and the structure of the organisation.</p>	30 <sup>th</sup> September 2016

Review reference	Action	Target date
Annual Governance Statement para 7.5	<p><b>Risk Management Strategy and approach:</b> Risk management is a core part of the Council's corporate governance framework and internal control environment. It is one of the six core principles within the Council's Code of Governance (part of the Council Constitution) – 'taking informed and transparent decisions which are subject to effective scrutiny and managing risk'.</p> <p>The Council's Risk Management Strategy should reaffirm and improve effective risk management in the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives. The Strategy should also support the consideration and auctioning of risk management within Council partnerships and contracts.</p> <p><b>Action:</b> The Chief Internal Auditor will review the Council's risk management arrangements (including the Risk Management Strategy) against the latest ISO 31000 risk management standard. The review findings will be reported to Audit and Governance Committee and will inform future risk management development at the Council.</p>	31 <sup>st</sup> March 2017
Annual Governance Statement para 8.1	<p><b>Workforce and Organisational Development Strategy:</b> Key element for development of the capacity and capability of officers to be effective. A Strategy will mitigate the risk of a lack of competence, probity and professionalism within the authority leading to diminished performance, inappropriate behaviour, and failure to comply with governance arrangements.</p> <p><b>Action:</b> HR Business Partner and Managing Director to draft the Council Workforce and Organisational Development Strategy, to include a refresh of the Council values. Draft document to be reviewed by Senior Management Team prior to formal approval process and roll out.</p>	31 <sup>st</sup> March 2017

Review reference	Action	Target date
Annual Governance Statement para 16.17	<p><b>Manager Assurance Statements:</b> Governance areas for development and improvement within 2016/17 identified by the Managers Assurance Statements should be considered for further action by the Council.</p> <p>Areas identified within the Manager Assurance Statements 2015/16 but not included within the preceding identified 2015/16 Governance Improvement Actions Plan actions :</p> <ul style="list-style-type: none"> <li>• Business Continuity Management; and</li> <li>• Sustainable development – climate change, environmental risk.</li> </ul> <p><b>Action:</b> Senior Management Team to consider the Business Continuity Management and sustainable development themes raised within the 2015/16 Managers Assurance Statements, and identify appropriate actions (with timescales) to aid improvement of the Council's governance arrangements.</p>	31 <sup>st</sup> March 2017