

### **Annual Governance Statement 2019-20: Addendum**

The statutory annual review of the authority's governance framework and system of internal control for 2019-20 was conducted by the council's AGS Assurance Group in May 2020. The review was undertaken in direct compliance with the principles adopted by the council's Code of Corporate Governance. Gravesham Borough Council's Annual Governance Statement for 2019-20 was presented and ultimately endorsed by the authority's Finance and Audit Committee on 21 July 2020.

Although the review did not present any significant governance and internal control issues, during the subsequent external audit process in the summer of 2020 relating to 2019/20 accounts, challenge to the accounting treatment relating to the St George's transaction was raised by a new audit team at Grant Thornton. Two years after the original transaction was entered into, this change proposed a departure from the methodology adopted and audited during the 2018/19 accounts.

Following discussions between the council and Grant Thornton and the council seeking further support from external professional bodies, it was concluded that the accounting treatment did require adjustment. Grant Thornton's report on the transaction, which made two recommendations to the council, was presented to and considered by the council's Finance and Audit Committee on 8 November 2023. The Leader of the Executive and Leader of the Opposition Group were also present at this meeting.

The Grant Thornton report did not provide the opportunity for management responses to the recommendations to be captured; this addendum to the 2019/20 Annual Governance Statement is therefore intended to enable the council to formally adopt and respond to the two recommendations made.

#### **Recommendation 1**

*The Council should carefully consider this report to ensure all members understand the events and conditions that led to the issues set out in this report, so that lessons are learnt, and assurances are provided that arrangements are in place that would mitigate or avoid such a situation happening again.*

#### **Gravesham Borough Council Management Response:**

The report has been formally considered by the Finance & Audit Committee and shared with both respective Group Leaders to ensure that current Members have been able to consider, scrutinise and seek further information and assurances on the report. Since 2018 the council has continued to review and develop its governance arrangements including:

- Making enhancements to Member Induction and Training Programmes to increase skills and capacity to review and scrutinise proposals made for decision.
- Delivering focused Member briefings on areas for significant decision ahead of any decisions being made, to enable a good understanding of the decision to be made and enable any required clarifications to be sought.

- Continuing to make use of external expertise where the knowledge and skills required to bring forward project proposals for decision are not held in-house.
- Improvements to the content and format of decision reporting. Following receipt of the VfM Report the council will look to adopt a common format for reporting business cases to ensure consistency in approach and assist Members in their decision making.

<b>Recommendation 2</b>
<i>The Council should finalise the changes planned to accounting treatment and the early termination of the Aviva/Reef deal, confirm the overall financial impact and the consequences for the Council's financial sustainability, and put in place appropriate plans and arrangements to mitigate financial sustainability risks.</i>

Gravesham Borough Council Management Response:

The accounting treatment has been finalised and agreed with the External Auditor. Termination of the Aviva/Reef deal took place on 16<sup>th</sup> October 2023 ([Decision Notice - Termination](#)). The overall financial impact has been confirmed and reflected in the council's Medium Term Financial Plan. Activity to manage financial sustainability risk of the council's General Fund is directed by the approved Medium Term Financial Strategy and monitored through quarterly budget monitoring, annual budget setting and subject-specific reports to Cabinet.

**Certification by Chair of the Finance & Audit Committee**

I confirm that this addendum to the 2019-20 Annual Governance Statement has been considered and approved by Gravesham Borough Council at the meeting of the Finance & Audit Committee on 21 December 2023.

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Councillor Gavin Larkins

Date:.....

**Endorsement by the Leader of the Executive and the Chief Executive**

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Councillor John Burden  
Leader of the Executive

Date:.....

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Stuart Bobby

Date:.....