



<b>REPORT OF:</b>	HEAD OF FINANCE
<b>AUTHOR:</b>	BILL PALLETT
<b>TELEPHONE:</b>	01737 276560
<b>E-MAIL:</b>	Bill.Pallett@reigate-banstead.gov.uk
<b>TO:</b>	EXECUTIVE
<b>DATE:</b>	30 JUNE 2016
<b>EXECUTIVE MEMBER:</b>	COUNCILLOR G KNIGHT

<b>KEY DECISION REQUIRED:</b>	NO
<b>WARD (S) AFFECTED:</b>	ALL

<b>SUBJECT:</b>	<b>ANNUAL GOVERNANCE STATEMENT</b>
<b>RECOMMENDATIONS:</b>	
(i) <b>Endorse the Annual Governance Statement set out in Annex 1.</b>	
<b>REASONS FOR RECOMMENDATIONS:</b>	
To seek Executive endorsement of the Council's Annual Governance Statement before it is included within the annual Statement of Accounts.	
<b>EXECUTIVE SUMMARY:</b>	
The Council is required to publish an annual statement on its corporate governance arrangements. This should accompany the Council's annual Statement of Accounts. Statutory regulations recommend that the body charged with overall responsibility for governance within the Council should review and endorse the statement prior to its formal signature by the Leader of the Council and the Chief Executive.	

<b>Executive has authority to approve the recommendation.</b>
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### STATUTORY POWERS

1. The *Accounts and Audit Regulations 2011* require the Council to prepare and publish annually a statement on the adequacy of its internal control and governance framework. This is known as the Annual Governance Statement (AGS).

### BACKGROUND

2. The Accounts and Audit Regulations require that the AGS accompany the Council's annual Statement of Accounts.
3. The *Code of Practice on Local Government Accounting* recommends that the Statement should be endorsed by a body within the Council that is responsible for

overall corporate governance. Under the Council's Constitution, that responsibility sits with the Executive.

4. The Code also recommends that the AGS should then be formally signed by the Leader of the Council and the Chief Executive.

### **GOVERNANCE STATEMENT**

5. The Statement is compiled from the following sources of evidence:
  - Annual Internal Auditor Report.
  - External Audit and Inspection Reports.
  - Issues identified from the Council's Risk Registers.
  - Annual assurance statements signed by the Management Team that confirm that the Council has achieved 'best value' and has complied with all relevant legislation, regulations and codes of practice.
6. Based on the above sources of evidence a statement for the year ended 31 March 2016 has been compiled and is attached as Annex 1.

### **OPTIONS**

7. The Executive can accept, reject or amend the contents of the statement in Annex 1.

### **LEGAL IMPLICATIONS**

8. There are no legal implications.

### **FINANCIAL IMPLICATIONS**

9. There are no direct financial implications associated with this report.

### **EQUALITIES IMPLICATIONS**

10. There are no equalities implications.

### **COMMUNICATIONS IMPLICATIONS**

11. There are no communications implications.

### **CONSULTATION**

12. The Executive Member for Finance was consulted during the preparation of this report.

### **POLICY FRAMEWORK**

13. There are no policy issues to raise as part of this report.

**Background Papers: None**

# Reigate & Banstead Borough Council

## Annual Governance Statement

### 1. Scope of Responsibility

Corporate governance describes how organisations direct and control what they do. For local authorities this also includes how a council relates to the communities that it serves.

The changing needs of our residents and communities, significant reductions in resources and central government reforms present a challenge to all councils. In addressing these challenges we must ensure that governance arrangements support the effective delivery of services and management of risk.

By applying the principles in our Code of Corporate Governance (summarised below) and applying the Principles of Standards in Public Life, we are committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

Our Code of Corporate Governance outlines our governance principles:

- i. Focusing on the Council's purpose and community needs;
- ii. Having clear responsibilities and arrangements for accountability;
- iii. Requiring good conduct and behaviour;
- iv. Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- v. Developing the capacity and capability of members and officers to be effective;
- vi. Engaging with local people and other stakeholders.

This statement describes how we have complied with our Code of Corporate Governance and how we have met the requirements of the Accounts and Audit Regulations 2011.

### 2. The Purpose of the Governance Framework

Our governance arrangements are designed to manage risk to a reasonable level. The arrangements cannot eliminate all risks but can provide reasonable assurance of our effectiveness.

The governance framework has been in place for the year to the date of approval of this annual governance statement.

### **3. The Governance Framework**

Our governance framework comprises the systems and processes, and culture and values that allow us to achieve our strategic objectives and establish the extent to which services are delivered in an appropriate and cost effective way.

These are summarised below:

- Our Corporate Plan and other documents contained in our Budget and Policy Framework that set out priorities and intended outcomes for residents and service users.
- The Executive, Committees and Panels we have established to ensure democratic engagement and accountability is central to our key and other important decisions.
- Our arrangements for the oversight and scrutiny of decisions and policy development by Councillors.
- The delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- Our risk, performance and accountability arrangements that measure the quality of services - ensuring they are delivered in accordance with our objectives and that they represent the best use of resources.
- Our Human Resources Plan, role profiles and codes of conduct which underpin how Members and employees work.
- Our arrangements for consultation and engagement with the community.
- Our independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- The independent oversight and challenge provided by our external auditors and the Local Government Ombudsman;
- Our procedure rules and internal management processes for:
  - Financial management
  - Procurement
  - Project management
  - Information governance & data security
  - Health & safety
  - Decision making
  - Whistleblowing
  - Complaints handling
  - Anti-fraud & corruption

#### **4. Review of Effectiveness**

We regularly review the effectiveness of our governance arrangements through the officer Corporate Governance Group, by evaluating our performance against the CIPFA/Solace framework (*Delivering Good Governance in Local Government*) and through independent audit reviews.

Our review of effectiveness considers decisions taken and matters considered by full Council, the Executive, the Management Team, the work of the Overview & Scrutiny Committee, internal auditors, work undertaken by external auditors and the opinion of the Local Government Ombudsman.

##### **A self-assessment of our effectiveness**

Our planning, performance and risk management framework has enabled us to focus on the delivery of our corporate priorities and provides the Executive and Overview & Scrutiny Committee with the information to check and challenge attainment of our priorities.

A number of improvements to our approach to risk have been made including an external review of both our strategic and operational risks, the reporting of risk and performance information and better linkages to the business planning and appraisal processes. Executive Members have reviewed the corporate register of the significant business risks facing the Council and the Overview and Scrutiny Committee has received positive assurances about the operation of the arrangements for identifying and managing risk.

##### **Effective financial planning and management**

The 2015/16 budget represented a challenge for the Council and required savings of just over £1m. Difficult economic conditions – particularly recycle prices and homelessness costs – created budget pressures but the final outturn was a small underspend equivalent to 1% of the budget (£161,000).

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee have remained in place. Given the scale of the financial challenges, the Overview & Scrutiny Committee (and Budget Scrutiny Panel) also reviewed the proposed savings as part of the budget preparation process in Autumn 2015, noting that the proposals were clear, focused, achievable, realistic and based on sound financial practices.

##### **Effective arrangements for accountability**

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We have also updated the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. All Managers have been asked to document authorisations under the scheme to provide a clear description of decision making responsibilities.

The Overview & Scrutiny Committee has agreed the Audit Plan and received independent reports from Internal Audit.

## **Effective Conduct Arrangements**

The Standards Committee has operated in accordance with our published local arrangements since the abolition of the statutory requirement to have a Standards Committee.

Changes have been agreed in relation to our complaint handling arrangements which now place greater emphasis on a speedy informal resolution of concerns. A set of principles has been agreed by the Political Group Leaders who work together to support this process.

Registers of Interest for Elected Members and senior Employees have been maintained and arrangements are in place for the declaration of appropriate interests when decisions are taken. We have also appointed an Independent Person in accordance with our statutory responsibilities.

## **Effective decision making arrangements**

Our decision-making arrangements are one of our significant governance controls, linking to all of the governance principles that are set out in our Code of Corporate Governance. We have reviewed these as part of the review of the Constitution and made a number of changes to reflect new working arrangements.

Positive assurances have been given by all Managers and by the Statutory Officers on risk management activities.

## **Effectively developing skills and capacity**

The Council has a Human Resource Plan which sets out the resources required to deliver the Council's priorities and services. Personal development plans and the "talent management" programmes helps to ensure we have in place effective succession planning and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff surveys and an action plan is in place to address the themes emerging from these and in relation to the Better Ways of Working programme - specifically in relation to accommodation changes implemented during 2014 and the "great people" initiative implemented during this year.

An induction programme is in place for new Councillors and skills training for regulatory functions takes place annually before Members take up places on the Planning, Licensing and Regulatory Committees. In addition, all Members are briefed on the requirements of the Member Code of Conduct. A variety of learning events take place during the year to ensure that, where needed, Councillors are briefed on new initiatives or legislative changes. We consulted with Councillors to develop a programme of training and development which is both accessible and relevant to their needs. This programme commenced during 2014/15 and is ongoing.

## **Effective Engagement**

Consultation and engagement had taken place with local people and other stakeholders on a range of issues during the year to inform the plans and decisions

taken by the Council. We have reviewed our approach to engagement and continue to improve our use of digital channels to reach audiences with an improved website and a greater use of social media.

### **Independent Opinions on Effectiveness**

The Chief Internal Auditor provides independent assurance on the adequacy and effectiveness of the system of internal financial control. The Internal Audit Annual Report for 2015/16 included the following:

- *“The organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.”*

The Annual Audit Letter (from our external auditors - KPMG) summarises the finding of the audit of the Council each year. The last letter received by the Council, in October 2015, in respect of the 2014/15 financial year contained the following conclusions:

- *“We issued an unqualified value for money (VFM) conclusion for 2014/15 on 25 September 2015. This means we are satisfied that you have proper arrangements for securing financial resilience and challenging how you secure economy, efficiency and effectiveness.”*
- *“We issued an unqualified opinion on your financial statements on 25 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year.”*

A full copy of the KPMG Audit Letter can be found on the Council website:

[http://www.reigate-banstead.gov.uk/info/20210/finance/268/annual\\_financial\\_reports](http://www.reigate-banstead.gov.uk/info/20210/finance/268/annual_financial_reports)

## **5. Significant Governance Issues**

The Council was subject to financial loss in year as a result of a fraudulent payment made.

This has been the subject of a significant Police investigation, which is ongoing. Working with both the Police and Internal Audit we have reviewed and strengthened the control framework to ensure that we do not fall victim to this type of crime in the future.

**Councillor Victor Broad**

**Leader of the Council**

**Date** 30 June 2016

**John Jory**

**Chief Executive**

**Date** 30 June 2016