

ANNEX 1

Annual Governance Statement for the year ended 31 March 2010

Scope of Responsibility

Reigate & Banstead Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the *Local Government Act 1999* to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the *Delivering Good Governance in Local Government* Framework. This was developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE). A copy of the code is on our website at:

http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/organisation_and_services/corporategovernance/index.asp

or can be obtained by writing to:
Head of Corporate Development
Reigate & Banstead Borough Council
Town Hall
Castlefield Road
Reigate
Surrey RH2 0SH

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the *Accounts and Audit Regulations 2003* as amended by the *Accounts and Audit (Amendment) (England) Regulations 2006* in relation to the publication of an Annual Governance Statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Reigate & Banstead Borough Council for the year ended 31 March 2010 and up to the date of approval of the Annual Financial Report and Statement of Accounts.

The Governance Framework

The CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* is based on six core principles. The Council's governance framework is described in terms of the arrangements in place to meet these six core principles.

Principle 1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.

The Council is a member of the Surrey Strategic Partnership, which has agreed the Surrey Sustainable Community Strategy (*"Delivering the Vision for Surrey in 2020"*). The Local Area Agreement for Surrey represents the medium-term delivery plan for the Strategy. Our Community Plan (*"Reigate & Banstead 2020"*) reflects this and is a high-level articulation of the work which the Local Strategic Partnership consider should form the basis of a multi-agency approach to tackling the issues facing the Borough over the next 10 to 15 years.

A clear statement of the Council's purpose and vision is set out in its 2009/12 Corporate Plan. This identifies the medium-term priorities for the Council and sets out its contribution to the Community Plan and Local Area Agreement targets. The Plan covers a three-year period and is updated annually. There is an action plan for the delivery of projects within each of the "themes" of the Plan and these are kept under review by the Corporate Management Team and the Executive.

The Council has adopted a Partnership and Shared Services Strategy that identifies the achievement of corporate priorities as the primary aim of partnership working, supported by secondary criteria around reducing costs, improving service quality and increasing resilience. We have also developed a checklist for partnership governance arrangements, to ensure that governance issues are fully considered before entering into any agreement.

A Medium-Term Financial Strategy and Capital Programme ensure that the Council's resources are aligned to its priorities. The budget process incorporates consideration of the allocation of resources for the Corporate Plan aims. The medium-term plan allows annual strategic review of performance against the Corporate Plan aims, and sets targets for efficiency improvement to redirect resources. Monitoring reports are submitted monthly to the Corporate Management Team and quarterly to the Executive and the Overview & Scrutiny Committee.

The Council has an effective performance management framework that enables continuous improvement in the way in which its services are delivered. The system is driven by the Corporate Plan which focuses on corporate priorities. This is cascaded through service and function plans to individual employee Performance Agreements. The Council's Overview & Scrutiny Committee monitors progress against performance targets.

The Council also operates a complaints procedure and uses this to identify instances of unsatisfactory service quality and to inform actions for improvement. Reports on complaints handling are made regularly to the Corporate Management Team and to Members.

Achieving value-for-money is a key corporate priority and we seek to deliver this through a programme of business reviews, focussing on process re-engineering and efficient links between "back-office" functions and customer-facing staff.

The Council's Internal Audit service (provided by RSM Tenon) operates to the standards set out in the CIPFA '*Code of Practice for Internal Audit in Local Government in the UK*' and reports to the Overview & Scrutiny Committee. The Chief Internal Auditor has the responsibility to independently review the Council's compliance with best practice in corporate governance. Internal Audit are also responsible for evaluating and reporting upon the adequacy of the whole system of internal control as a contribution to the proper, economic, efficient and effective use of Council resources, and as an aid to the improvement of risk management and control systems. Internal Audit carries out a full programme of audits in accordance with a formally approved 5-year Strategic Audit Plan that is based upon an assessment of the risks facing the Council. This plan is updated annually.

The Council also has an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit and Inspection Letter.

Principle 2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles.

The Council's Constitution sets out how it operates, how decisions are made and the processes that are followed to ensure that these decisions are efficient, transparent and accountable to local people.

The Constitution also includes both Member and Officer Codes of Conduct and a Member/Officer protocol that describes the way in which Members and Officers should interact to work effectively together.

All Committees have clear terms of reference, which set out their roles and responsibilities and work programmes. In addition, we have developed Member role profiles for the Leader, Executive Members, and Committee Chairmen and for the basic requirements of the role of Councillor.

The Council's Chief Executive (who is also the Head of Paid Service) leads the Council's officers and chairs the Corporate Management Team. The Chief Executive and the Leader of the Council meet weekly to discuss issues and objectives, and communicate regularly to Officers and Members as appropriate.

The financial management of the authority is conducted in accordance with the financial rules set out in the Constitution. The Council has designated the Director of Resources as its Chief Finance Officer in accordance with Section 151 of the *Local Government Act 1972*.

The Head of Legal and Property Services has been designated as the Council's Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. All staff have clear conditions of employment along with job summaries and

role profiles which set out their responsibilities, skills and competency requirements.

We also have an Independent Remuneration Panel, which recommends the level of Members' allowances annually to the full Council, and otherwise as changes arise.

Principle 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

Many of the arrangements to ensure high standards of conduct and behaviour have already been outlined in this Statement, as they are central to the way the Council operates. In addition the Council has the following policies in place:

- Anti-Fraud Policy
- Anti-Money Laundering Policy
- Disciplinary Policy
- Equalities Policy
- Whistle-Blowing Policy

These policies are easily accessed by all staff and Members via our intranet and our "e Members" area.

The Council also has a Standards Committee to promote and maintain high standards of conduct by Members.

A Register of Members' Interests and a Register of Staff Interests are also maintained to ensure that there is no bias or conflict of interest in the Council's operations.

Principle 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The full Council is responsible for determining the financial and policy framework, and all major strategies and plans. The Executive is responsible for the day-to-day running of the authority but must refer any matters outside the policy framework to the Council. The Overview & Scrutiny Committee may advise the Executive and the Council but also has the power to "call-in" decisions made by the Executive but not yet implemented. It may recommend that the Executive reconsiders the decision.

All decisions by the Executive are made on the basis of written reports that include assessments of the legal and financial implications and consideration of both the risks involved and how these will be managed.

The Overview & Scrutiny Committee receives quarterly progress reports from

Internal Audit, which include a summary of the control environment operating within the Council. It also receives the Annual Chief Internal Auditors performance and assurance report, plus the annual review of the effectiveness of the Internal Audit service is also reported to this Committee.

Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of the overall framework to deliver continuous improvement.

The Corporate Management Team carries out twice-yearly reviews of the Strategic Risk Register and sets priorities for reducing risk. All services maintain Risk Registers, which are reviewed at least twice a year. The Chief Executive receives annual statements of assurance from all Directors and Service Managers that summarise risk management activities and highlight any actual or potential issues.

Principle 5. Developing the capacity and capability of members and officers to be effective.

The Council aims to ensure that Members and Officers have the skills and knowledge they need to discharge their responsibilities and recognises the importance of appropriately trained staff in effective service delivery.

All new Members undertake an induction programme designed to explain the aims, values and workings of the Council. We allocate an officer mentor to every new Member and provide a comprehensive Induction Handbook. There is also an ongoing Member training programme to update skills and knowledge on a regular basis.

All new members of staff undertake an induction programme designed to support a better understanding of the Council as well as developing role-related skills and knowledge. All posts have a detailed role profile and person specification. We identify high-level learning and development requirements as part of the function planning process. Ongoing training and development needs, and plans to address them, are identified through the Performance Appraisal and Competency Assessment process and regular meetings between staff and their manager. We have also introduced training and career development schemes in areas of skills shortage such as financial and planning services.

The Council holds the 'Investors in People' award. This is a nationally recognised standard that sets good practice for improving an organisation's performance through its people. To ensure that standards are maintained the Council is subject to external scrutiny by the awarding body every 15 months, with an emphasis on good working practices and continuous improvement.

Principle 6. Engaging with local people and other stakeholders to ensure robust public accountability.

The Council's decision-making processes are designed around the need to consult with stakeholders and to take on the views of local people.

The Community Plan and the Corporate Plan are the result of extensive consultation with residents, businesses, partner organisations and other stakeholders. The Local Strategic Partnership brings together a wide range of representation from public sector agencies, the business sector and voluntary and community groups.

Arrangements for consultation include direct contact with specific stakeholders, focus groups, internet surveys, postal surveys and workshops. Information about current (and past) consultation exercises is held on our website at:

[\(http://www.reigate-banstead.gov.uk/public/Council_Democracy/Consultations/\)](http://www.reigate-banstead.gov.uk/public/Council_Democracy/Consultations/).

The Council has undertaken a process of developing Local Community Action Plans across the Borough. This involves an ongoing dialogue with communities to identify improvements and to negotiate solutions that are deliverable.

A civic magazine, "*Borough News*", is published four times a year. This communicates the Council's vision, priorities and achievements and is delivered across the Borough. The autumn issue also contains a summary version of the Annual Statement of Accounts.

Members of the public may attend meetings of the Council, its Committees and the Executive. In a very limited number of cases they may be excluded from specific agenda items where – for example – confidential, personal or commercially sensitive information is to be considered. We also make information available publicly following meetings, excluding any confidential items.

Our Overview & Scrutiny Committee is active in undertaking policy and service reviews as well as holding other agencies to account. We publish an annual report of the Committee's activities.

Review of Effectiveness

The 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 managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

The processes and procedures that have been applied in maintaining and reviewing the effectiveness of the governance framework are outlined below.

- The Executive is responsible for financial and performance management and receives reports on a quarterly basis. The Overview & Scrutiny Committee also receives these reports and may make comments to the Executive.
- The Overview & Scrutiny Committee receives quarterly progress reports from Internal Audit. In addition, a review of the effectiveness of the system of internal audit is carried out and reported annually to the Overview & Scrutiny Committee. There is a high level of effectiveness overall and a number of procedural improvements have been agreed for the future.

- 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 2009/10 included the following internal audit opinion:

In our opinion we are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion on the adequacy and effectiveness of Reigate and Banstead Borough Council's arrangements.

For the 12 months ended 31 March 2010, based on the work we have undertaken, our opinion regarding the adequacy and effectiveness of Reigate and Banstead Borough Council's arrangements for governance, risk management and control is as follows:

	Red	Amber	Green
Governance <i>Our review of this area resulted in substantial assurance being given that adequate arrangements are in place.</i>			
Risk Management <i>Whilst in general the review identified sound arrangements in place, there are some key areas where improvements can be made. Our follow up demonstrated that management were taking action to resolve issues identified in our initial review.</i>			
Internal Control <i>Our work during the year found that in general adequate controls are in place within the areas reviewed, however, there were some areas of weakness in Car Parking, and Resource Planning.</i>			

We have seen an increase in the number of 'limited' assurance reports being issued this year – three compared to one last year. The 'limited' audits were in respects of 'Financial procedures – Car Parking', 'Resource Planning' and 'Risk Management'

This is due to management directing the work of internal audit towards area of concern and as a result of our approach to the work undertaken being more risk focused and reliant on the organisation's risk registers. This allows us to focus our work on more problematic areas as already identified by managers.

- The Audit Commission's Annual Audit and Inspection Letter is considered by the Executive, Overview & Scrutiny Committee and the Corporate Management Team. The last letter received by the Council, in December 2009, in respect of the 2008/09 financial year's accounts contained the following overall conclusion.

We have undertaken our audit in accordance with the Code of Audit Practice. Having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

A full copy of the Audit Commission's inspection letter can be found on the Council website:

http://www.reigate-banstead.gov.uk/council_and_democracy/about_the_council/finance/annual_financial_reports/index.asp

- The Chief Executive receives annual statements of assurance from all Directors and Heads of Service, which provides assurance that the Council has during the year complied with all governing legislation and regulations; identified and effectively managed all material risks; and strove to ensure that the Council is delivering cost effective and valued services.
- The Executive carries out twice-yearly reviews of the Strategic Risk Register and sets priorities for reducing risk. In addition all Service Risk Registers are reviewed at least twice a year. The Corporate Management Team also receive monthly performance management reports and take action as appropriate.
- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are properly applied.
- An Officer Corporate Governance Group (comprising the Monitoring Officer, the Head of Finance and Procurement and the Head of Corporate Development) oversee the development and maintenance of governance across the Council. The Group has put in place a revised Code of Corporate Governance and new review arrangements, which include an Improvement Plan, which is reviewed regularly and reported annually to the Executive.

The Executive, the Overview & Scrutiny Committee and managers have advised on the implications of the results of the review of the effectiveness of the governance framework, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

The following governance issues were identified during 2009/10 as a result of the review of the effectiveness of the governance framework. The actions taken to address the issues raised are also shown below.

Issue	Action taken during 2009/10 or Planned for 2010/11
Risk Management	
1. The Risk Management Group and Corporate Management Team should take leadership of risk management activities and should seek to proactively embed risk management. This should be achieved by revisiting and amending roles and responsibilities of each group.	Prior to the Internal Audit report, Management had already instigated a comprehensive review of the Council's approach to Risk Management. This had identified an 18 point improvement plan, which included the issues identified by Internal Audit within their report. Resources have now been allocated to the implementation of the improvement plan. Work on initial process and procedural changes will be completed by September 2010, work on cultural issues have also begun but will take a longer time to fully embed.
2. The Risk Management Strategy should be updated to allow for management to record that it is not always possible to mitigate risks and that if this is the case it should be documented within the risk register.	A new Risk Management Strategy will be coming forward to the Executive for approval during the summer of 2010. This will address the issues raised by Internal Audit.
3. Mitigating controls documented within the risk register should be current and adequately implemented. A review of controls within risk registers should be undertaken and where controls have not been implemented or are no longer appropriate, these should be removed from the risk register.	As part of the implementation of the improvement plan, a complete review of the purpose and structure of the Risk Register has been undertaken, with the objective of making them more consistent and transparent,
4. Where a significant change occurs within a Service Unit, outside of the review cycle, the risk register should be reviewed and updated to ensure the impact of risks within the register has been assessed and that appropriate officers have been assigned responsibility for these risks.	This issue has been addressed both within the revised Risk Management Strategy and through the Improvement Plan.

Issue	Action taken during 2009/10 or Planned for 2010/11
5. The Council should seek to implement a mechanism to ensure that the evaluation of existing controls and evidence of assurances received to support conclusions made are appropriately documented. Where further controls are identified their suitability should also be assessed and documented.	This issues is being addressed through the implementation of the Improvement Plan, especially in relation to the introduction of a specialist software application that will house all the automated Risk Registers

Internal Control

1. The lack of resources and effective awareness of the need of effective controls, left the Council at risk with regards to cash collection activities.	The procedures for the one area of the Council which was the subject of this audit have been fully reviewed, and revised operational arrangements have been established with some responsibilities transferring to the central Finance team. All staff within the area have received training on the importance of having effective controls.
2. Lack of understanding and clarity on recording financial transactions within the financial systems and applications used by the Council; leaves the Council with a potential risk of financial loss.	The procedures and processes of the one area subject to this recommendation are currently subject to a full business and process review. The issues raised in the Audit Report are being fully addressed within this review.
3. Tighter controls should be introduced to monitor the budget for overtime and use of agency staff to ensure that spend in these areas are contained within approved budget.	Controls have been reviewed. The need for having to incur overtime and use Agency staff is being challenged through both the Council's budget setting process and the programme of Business/Process reviews that are currently underway.

We propose over the coming year to take the above 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.

Cllr Mrs J Spiers
Leader of the Council

Mr G Cook
Acting Chief Executive

Date: June 2010

Date: June 2010