

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **Scope**

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

This Council is committed to planning and delivering services to the residents of the borough in a way that demonstrates accountability, transparency, effectiveness, integrity and inclusivity.

The Council's 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.

The 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 provides value for money. It 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. That duty has grown in importance with the reduction in resources being made available for local government over recent years.

This Annual Governance Statement sets out how the Council has complied with the Code and also meets the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

In discharging this responsibility, the Council has put in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

It has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government. It has adopted a Local Code of Corporate Governance which was refreshed during 2019/20 and is publicised on the Council's [website](#).

During 2019/20 the Councillor Code of Conduct was also reviewed and agreed by the Governance Task Group in March 2020. Planned approval in April 2020 was deferred due to COVID-19; it is now scheduled to be approved by Council in July. A copy is available on the Council's [website](#)

These arrangements are supported by the Council's Risk Management Strategy which is also available on the [website](#).

## **Purpose**

The Council's 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.

## **Governance Framework**

The Council's 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:

- The Council's Five Year Plan and other documents contained in the Budget and Policy Framework set out priorities and intended outcomes for residents and service users. In January 2020 a new 5 Year Plan, Housing Delivery Strategy and Environmental Sustainability Strategy were adopted.
- The Executive, Committees and Panels have been established to ensure democratic engagement and accountability and are central to our decision-making.
- The arrangements for oversight and scrutiny of decisions and policy development by Councillors.
- Establishment of the Commercial Ventures Executive Sub-Committee whose terms of reference include:
  - Consider and take decisions about the potential establishment of commercial ventures and the undertaking of other investment activities by the Council.
  - Exercise the function of the Council as a shareholder or partner, in relation to companies, partnerships or other commercial entities owned or part owned by the Council.
  - Monitor and review the performance of commercial ventures undertaken by the Council, and to take decisions on the management of those commercial ventures.
  - Monitor and review the performance of investment activities undertaken by the Council, and to take decisions on the management of those investments.
- Delegation and authorisation arrangements which document the roles and responsibilities of Executive and non-Executive councillors and our statutory (and other senior) officer functions.
- 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. Commercial decisions are subject to a due diligence process and risk analysis.
- Business plans and associated resource plans, role profiles, organisation vision, values and behaviours and codes of conduct which underpin how Members and employees work.

- Arrangements for consultation and engagement with the community.
- Independent internal audit service arrangements which provide risk-based assurance as well as supporting wider audit requirements.
- Independent oversight and challenge provided by our external auditors, the Information Commissioner, Freedom of Information (Act 2000) requests for information, General Data Protection Regulations and the Local Government Ombudsman;
- Procedures and internal management processes for:
  - Financial management
  - Procurement
  - Project management
  - Risk Management
  - Information governance & data security
  - Health & safety
  - Decision making
  - Whistleblowing
  - Complaints handling
  - Anti-fraud & corruption

### **Review of Effectiveness**

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

This includes considering decisions taken and matters considered by full Council, the Executive, the Management Team, the Overview & Scrutiny Committee, internal audits, work undertaken by external auditors and the annual report of the Local Government Ombudsman.

#### Self-Assessment

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

An internal audit review of our Decision Making & Accountability was undertaken in 2019/20 which concluded there was 'substantial' assurance about the arrangements that are in place.

Overview & Scrutiny Committee and Executive Members have reviewed the register of the strategic business risks facing the Council. The Executive has received assurances about the operation of the arrangements for identifying and managing risk.

#### Financial Planning and Management

When the 2019/20 budget was approved it included growth of £2.620m, (mainly due to reduced funding from the Government), offset by £1.229m savings, resulting in net budget growth to £1.391m. Despite volatile economic conditions and in-year service pressures, expenditure was controlled, and the final outturn was an underspend equivalent to 11.9% of the revenue budget (£2.09m). The outturn position for the capital programme was £18.96m, representing £30.15m (61%) below the approved programme for the year. The variance was primarily as a result of £29.74m programme slippage and a £0.412m net underspend.

The Chief Finance Officer has ensured that effective budget monitoring and reporting arrangements, involving the Management Team, Executive and Overview & Scrutiny Committee and Corporate Governance Group have remained in place.

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2020/21 budget proposals in depth as part of the budget preparation process in Autumn 2019. The Panel recognised and appreciated the significant amount of work that had gone into preparing the service and financial plans for 2020/21 and concluded that the budget proposals were sound, balanced and achievable. However, concern was expressed that the overall increase in the Revenue budget is unsustainable in the long term, unless additional revenue income sources are brought on stream. Overview & Scrutiny's report to Executive concluded that, while overall, there was a proposed £2.1m of investment and additional spending in service budgets with an overall a £1.256m call from reserves, it was anticipated that the forecast underspend from the current year's budget would in effect fund the majority of the call on Reserves in 2020/21. The Committee was supportive of this approach and its realistic approach to budget planning.

The new Capital Investment Strategy provides a framework within which investment decisions can be assessed.

#### Accountability

We have reviewed the Constitution to reflect legislative changes particularly in relation to procurement. We also continue to review the Scheme of Delegation for the Council and Executive responsibilities to reflect various legislative and organisational changes. The Scheme of Delegation was reviewed during 2019/20 and approved at Council in February 2020.

The Overview & Scrutiny Committee has agreed the Audit Plan and is scheduled to receive an end of year report from Internal Audit.

#### Conduct

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

The Council has a locally adopted Code of Conduct and all Councillors are given training regarding the conduct requirements. The latest Code of Conduct is scheduled for approval by Council in July 2020.

Councillor conduct complaint handling arrangements are approved by the Standards Committee and published on our [website](#). Emphasis is placed on a speedy informal resolution of concerns where possible. A set of principles has been agreed by the Political Group Leaders who work together to support this process. The Monitoring Officer maintains a register of complaints and resolutions and provides, as a minimum, an annual report to the Standards Committee.

Registers of Interest for Elected Members and senior Employees are maintained, and arrangements are in place for the declaration of interests when decisions are taken. We have also appointed a pool of Independent Persons, (shared with six other local authorities in Surrey) for four years up to 2023 to provide resilient support to meet this statutory responsibility.

#### Decision-Making

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 continue to review these key principles on an ongoing basis and will recommend consideration of changes to reflect new working arrangements as identified.

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

### Skills and Capacity

The Council is developing an Organisational Development Strategy which will set out the approach needed to help ensure officers are engaged and committed to deliver the Council's priorities and services. Personal development plans and investment in 'talent management' helps to ensure we have effective succession planning in place and that our workforce has the skills, capability and capacity to meet the challenges facing the Council.

We undertake regular staff engagement, including surveys, and action plans are put in place to address any themes emerging from staff engagement activities.

An induction and Member Learning and Development programme is in place for new and returning Councillors. In May 2019, following the review of ward boundaries and local elections, a full-day training event took place to induct all new and re-elected councillors. This included briefings on the requirements of the Member Code of Conduct, Data Protection and Council finances. This was followed up with skills training for regulatory functions before Members took up places on the Planning, Licensing and Regulatory Committees. A variety of other learning events took place during the year to ensure that Councillors were briefed on new initiatives and legislative changes.

### 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 Review

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 2019/20 included the following conclusion:

*Annual Internal Audit Opinion 2019-20*

*"I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of Reigate & Banstead Borough Council's internal control environment.*

*In my opinion, Reigate & Banstead Borough Council's framework of governance, risk management and control is 'Adequate' and audit testing has demonstrated controls to be working in practice.*

*Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement."*

Internal audit reviews that were assessed as providing 'substantial' assurance included our work around development of the Corporate Plan and Decision Making & Accountability while Ethical Governance and development of the Housing Delivery Strategy were found to provide 'adequate' assurance.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. The most recent report, received by the Council, in September 2019, in respect of the 2018/19 financial year, contained the following conclusions:

- *On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Reigate and Banstead Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.*

*In our opinion the financial statements of Reigate and Banstead Borough Council ('the Authority') and its subsidiaries ('the group'):*

- *give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's and the Authority's expenditure and income for the year then ended; and*
- *have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.*

A copy of the Report can be found on the Council's [website](#).

### **Coronavirus Pandemic Response**

This AGS focuses on the governance in place during 2019/20 therefore the majority of the year was unaffected by coronavirus. However, there were impacts experienced as a consequence of the pandemic at the end of March 2020 and that remain at the time of finalising this AGS. Therefore, it is important to make reference to some of the more significant governance impacts in this year's AGS, which include:

- Changes to decision-making arrangements and the conduct of meetings online.
- Impacts on business as usual in the delivery of services
- Introducing new areas of activity as part of the national response to coronavirus and any governance issues arising
- Adopting new policies and processes
- Managing the logistical consequences of delivering the local government response
- Establishing new collaborative working arrangements with other public bodies and the voluntary and community sector
- Funding and cash flow challenges as a consequence of carrying out new unbudgeted activities, reduced demand for our income generating services, pausing some services and significant changes to cashflows in council tax and business rates collection
- New risks have been identified and some existing risks escalated.

Over the longer term the disruption and consequences arising from the coronavirus pandemic are expected to continue for some time, however planning for a Recovery phase is now in progress, including a lessons-learnt assessment.

### **Draft Statement of Accounts 2019/20 Publication**

The Draft Statement of Accounts for 2019/20 was published on the Council's website on 05/10/2020. This was 35 days after the 31 August publication deadline specified in the revised Accounts & Audit Regulations for 2020. The primary reasons for the delay were the competing demands on Finance team resources as a consequence of the pandemic and the additional work that was carried out during this closedown to ensure that all matters raised in the 2018/19 audit were addressed, primarily in relation to fixed asset record-keeping and accounting.

### Senior Management Changes

This AGS covers 2019/20 when the former Chief Executive was in post. There was subsequently a change in the Council's senior management structure meaning that the Chief Executive was no longer in post when the AGS was finalised. It has therefore been signed by the Acting Head of Paid Service who was previously Director for People and is therefore aware of all relevant matters relating to the AGS.

### Significant Governance Issues

The independent opinions of our internal and external auditors provide considerable assurance in respect of the Council's arrangements. These have identified no significant issues or areas for improvement.

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, and managing recovery following the Coronavirus pandemic. However, the Council is confident that it has arrangements in place to ensure that resources are directed toward identified priorities and to ensure that it will continue to seek innovative ways of securing financial sustainability.

### Summary

The Council has in place strong governance arrangements which protect its interests and provide necessary assurances to our residents and stakeholders. We are committed to continuing to review and develop the supporting arrangements and take action as necessary to ensure this continues.

.....

**Councillor Mark Brunt**  
**Leader of the Council**

**Date:** 30 September 2020

.....

**Mari Roberts-Wood**  
**Acting Head of Paid Service**

**Date:** 30 September 2020