

## Annual Governance Statement

2020/21

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### 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.

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. In November 2020 the Council adopted a Local Code of Corporate Governance which had been refreshed during 2019/20 and is published 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 the COVID-19 pandemic; it was approved by Council in July 2020. 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 Corporate Plan and other documents contained in the Policy and Budget Framework set out priorities and intended outcomes for residents and service users. In January 2020 the [Corporate Plan](#) was adopted. The Corporate Plan is supported by supplementary strategies, including the Housing Delivery Strategy (adopted December 2019), the Environmental Sustainability Strategy (adopted August 2020) and the Commercial Strategy Part 1 (adopted November 2020);

- 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 Audit Committee whose terms of reference include:
  - Oversight of internal audit and governance, including risk management; and
  - Approval of the audited statement of accounts and external auditor's report.
- 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; and
- Procedures and internal management processes for:
  - Financial management;
  - Procurement;
  - Project management;
  - Risk Management;
  - Information governance & data security;
  - Health & safety;
  - Decision making;
  - Whistleblowing;
  - Complaints handling; and
  - Anti-fraud & corruption.

### **Review of Effectiveness**

We regularly review the effectiveness of the Council's governance arrangements through the officer Corporate Governance Group (comprising Directors and Statutory

Officers), by evaluating performance against the CIPFA/Solace framework (Delivering Good Governance in Local Government) and through independent 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, Audit 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. In addition, the Council's approach to decision making and governance in the context of COVID-19 was audited in 2020/21. The conclusion was that there was a 'reasonable' level of assurance on the controls and arrangements in place.

The Council's approach to risk management was also audited in 2020/21. The audit concluded with a 'reasonable assurance' opinion. The identified management actions will be addressed when the Council's risk management framework is next reviewed in 2022.

Audit 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**

The Medium-Term Financial Plan and Capital Investment Strategy were updated during the year and provide a framework within which budget and investment decisions can be assessed. 2020/21 was also the first year for implementation of the CIPFA Financial Management Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. Inevitably, the impact of the COVID-19 pandemic has tested that financial resilience in 2020/21 and will continue to do so in coming years. There are clear links between the FM Code and the Governance Framework, particularly with its focus on achieving sustainable outcomes.

An assessment has been conducted of this Council's compliance with the principles of the Code and areas for development are being addressed, primarily with regard to

further development of the approach taken to preparation of the annual Statement of Accounts and MTFP forecasts.

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

The Overview & Scrutiny Committee (and its Budget Scrutiny Panel) reviewed 2021/22 budget proposals in depth as part of the budget preparation process in Autumn 2020.

- The Committee concluded that the Council had a well-planned and effective budget for 2021/22, particularly given the challenges of the COVID-19 pandemic.

### **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. A further review is planned during 2021/22.

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 was approved by Council in July 2020 and incorporated voluntary adoption of the Committee on Standards in Public Life's *Ethical Standards* report (2019) recommendations [Link](#).

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) 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. This includes briefings on the requirements of the Member Code of Conduct, Data Protection and Council finances and is followed up with skills training for regulatory functions before Members take up places on the Planning, Licensing and Regulatory Committees. Tailored training is also provided to members of the Employment and Audit Committees. A variety of other learning events are arranged during the year to ensure that Councillors are briefed on new initiatives and legislative changes. During 2020/21 this activity had to be scaled back due to the COVID-19 pandemic but will resume as soon as it is safe to do so.

### **Engagement**

Consultation and engagement has 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 2020/21 included the following conclusion:

*TBC – to be reported to Audit Committee in June 2021*

Internal audit reviews that were assessed as providing 'substantial' assurance included our work around: Programme & Project Management; COVID-19: Small Business Grants; COVID-19: Discretionary Payments; Housing Benefits; Payroll; and Homelessness.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year. The most recent report, to Audit Committee on 18 May 2021, in respect of the 2019/20 financial year, contained the following conclusions:

*We have not identified any significant uncorrected audit adjustments or disclosure deficiencies. The version of the accounts presented to [the Audit] committee has been amended for our proposed changes.*

*We have summarised any audit adjustments.*

*We have considered the impact of the COVID-19 pandemic on our work. We did not identify any new financial statement or value for money significant risks as a result of the impact of the pandemic*

*We identified findings or internal control deficiencies which have been included [in their report].*

*As detailed in our valuations work set, management's expert – Wilks, Head & Eve – included a material uncertainty clause in their valuation report. This is common to 31 March 2020 valuations in the sector. This wording is reflected in the financial statements and we draw attention to it in our draft auditor's report. Note that this is not a qualification of our opinion.*

*Based on the current status of our audit work, we envisage issuing an unmodified audit opinion, with no reference to any matters in respect of the Council's arrangements to secure economy, efficiency and effectiveness in the use of resources, or the Annual Governance Statement.*

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

## COVID-19 Pandemic Response

This AGS focuses on the governance in place during 2020/21 where there was significant global disruption as a consequence of the COVID-19 pandemic. Some of the more significant governance impacts for this Council 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 COVID-19 (for example the welfare support response and payment of grants to businesses) 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; and
- New risks have been identified and some existing risks escalated.

Planning for Recovery is well underway, including a lessons-learnt assessment, however this has been disrupted at times due to further national lockdown measures. Despite the recovery progress that is being made and the vaccine rollout, over the longer term the disruption and consequences arising from the pandemic are expected to continue for some time.

### Annual Review of the System of Internal Control

An annual review has been conducted in compliance with the Regulations that govern preparation of the AGS. The purpose of the review was to consider the effectiveness of the system and provide the evidence to support it.

Our approach to the review has been risk-based and it has been conducted on a continuous basis throughout the year. Risk registers have been subject to regular review and requests for additional audit assurance have been targeted at those areas impacted by the pandemic or where risks have increased as a consequence of it.

The impact of the COVID-19 pandemic has been taken into account when conducting the annual review for 2020/21, both identifying changes that have resulted from the pandemic and identifying the impact on effectiveness of arrangements in practice. For example, face to face meetings and consultation activities have been

replaced by other approaches. While there was some disruption at the start of the year, meetings are now being held remotely with no disruption to decision-making or accountability.

2020/21 was also a 'shadow' year for the implementation of the CIPFA Financial Management Code. The annual review has taken into account the outcome of the self-assessment that has been undertaken during the year of the extent to which the Council's financial management arrangements comply with the Code.

### **Significant Governance Issues**

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

While not significant, two governance matters worthy of specific mention are:

- The Final Statement of Accounts for 2019/20 was approved by Audit Committee on 18 May 2021. This was later than the 30 November 2020 date specified in the amended Accounts & Audit Regulation 2020. The reasons for this delay were explained to Audit Committee and included the impacts of the pandemic on Finance team and auditor capacity and the complexity of some transactions that required additional time to resolve during the audit.
- The Acting Head of Paid Service who was previously Director for People remains in post and is responsible for signing this AGS.

**Summary**

The outlook for local government over the next few years has increased challenges, related to growing demand and declining resources, as well as managing recovery following the COVID-19 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.

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.

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**Councillor Mark Brunt**

**Leader of the Council**

**Date:** dd mm 2021

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**Mari Roberts-Wood**

**Acting Head of Paid Service**

**Date:** dd mm 2021