

DRAFT ANNUAL GOVERNANCE STATEMENT

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 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:

- Focusing on the Council's purpose and community needs;
- Having clear responsibilities and arrangements for accountability;
- Requiring good conduct and behaviour;
- Taking informed and transparent decisions which are subject to effective scrutiny and risk management;
- Developing the capacity and capability of members and officers to be effective; and
- 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 (Amendment) Regulations 2022 which have revised the Accounts and Audit Regulations (England and Wales) 2015 this year.

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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 2022/23 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, and subsequently 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 Corporate Plan and other documents contained in the Policy and Budget Framework set out priorities and intended outcomes for residents and service users.
- In December 2019 the [Corporate Plan](#) was adopted. The Corporate Plan is supported by supplementary strategies, including:
 - Housing Delivery Strategy (adopted December 2019);
 - Environmental Sustainability Strategy (adopted August 2020);
 - Commercial Strategy Part 1 (adopted November 2020) and Part 2 (adopted December 2021); and

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- IT Strategy (adopted March 2022);
 - 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;
 - The Partner, Shareholder and Trustee Executive Sub-Committee whose terms of reference include:
 - To ensure compliance with and further each of the Charities' charitable objects, trust deeds and associated public benefit; including an annual review
 - To ensure the completion and submission of Charity Annual Account returns and the Charity Annual Trustee Report to the Charity Commission
 - To arrange a Trustee meeting to agree the accounts and Trustee's Annual Report within two months of the financial year ending
 - To comply with best practice (Statement of Recommended Practice, SORP) to produce annual accounts and a report that includes an explanation of what the charity has done for the public benefit during the year
 - To make strategic decisions including approving annual business plans, management agreements and leases
 - To annually review the purposes of the Charities and make any required applications to amend the Charities' governing documents to support effective management of the Charities
 - To approve and adopt a conflict of interest policy
 - To approve disposals (leases, licences) in accordance with S117 of the 2011 Charities Act 2011 including:
 - To consult the public on the disposal of charity property where required to do so
 - Issue public notices regarding proposed disposal of charity property where required to do so.
 - To approve the formation of management companies where considered to be a suitable mechanism for managing a charity. This could include the charity becoming a member of a management company where suitable to do so.
 - 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;
 - The Audit Committee whose terms of reference during the year included:

- Oversight of internal audit and governance, including risk management;
- Oversight of treasury management performance;
- Approval of the audited statement of accounts and external auditor's report; and
- To report annually on Audit Committee activities to the Council.
- 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 and Social Care Ombudsman, Housing Ombudsman; and
- Procedures and internal management processes for:
 - Financial management;
 - Procurement and contract management;
 - 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, 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, the Audit

Committee, internal audits, work undertaken by the external auditor and the annual report of the Local Government and Social Care Ombudsman and Housing 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 approach to Decision Making & Accountability was undertaken in 2019/20 and 2022/23. The latter review concluded with 'reasonable' assurance, with two management actions arising. One action has been completed, whilst another concerning the creation of a detailed employee code of conduct is in progress. In 2021/22 the Council's approach to compiling the Annual Governance Statement was also audited, with 'substantial' assurance received. Furthermore, the actions identified when the Council's approach to risk management was audited in 2020/21 were completed as part of the update to the risk management strategy, which was approved by Full Council in March 2023.

Each quarter Audit Committee and Executive Members review the Council's strategic risk register, as well as any 'red' rated operational risks.

The Audit Committee also annually reviews the Council's Code of Corporate Governance, which sets out how the Council adheres to the seven principles of good governance within CIPFA and SOLACE's framework for delivering good governance in local government.

FINANCIAL PLANNING AND MANAGEMENT

The Medium-Term Financial Plan (MTFP) and Capital Investment Strategy were updated during the year and provide a framework within which budget and investment decisions can be assessed. The MTFP also includes a summary section that demonstrates compliance with the CIPFA FM Code. A key goal of the Code is to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the Financial Management 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 Financial Management 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.

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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 2023/24 budget proposals in depth as part of the budget preparation process in late Autumn 2022.

The Committee concluded that the Council had a well-planned and effective budget for 2023/24.

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 and Finance Procedure Rules were reviewed and updated versions were approved by Council in December 2021 and further minor changes were made to the Scheme of Delegation in December 2022.

The Audit 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.

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) 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 Directors, Heads of Service and by the Statutory Officers on risk management activities. Where operational risks were noted, action is being taken to address them.

SKILLS AND CAPACITY

Prior to the COVID-19 pandemic, Management Team and the Employment Committee developed and agreed an Organisational Development (OD) Strategy which sets out the approach required to help ensure officers are engaged and committed to deliver the Council's priorities and services. Planned implementation of the Strategy action plan was deferred due to the pandemic.

The OD approach has been reviewed during 2022/23 which included an assessment of the organisational impacts of the pandemic on how we work and our organisation vision.

In the latter part of 2022/23, a now-combined OD & HR Strategy was drafted, with senior officer and Portfolio Holder / Member engagement commencing at the start of the 2023/24 municipal year.

The strategy is focused on five themes:

- 1) Financial sustainability & workforce planning
- 2) Performance & reward
- 3) Operational excellence
- 4) Culture, engagement, equality, diversity & inclusion
- 5) Effective use of data

Ensuring that our workforce has the skills, capability and capacity to meet the challenges facing the Council remains a priority and is captured under theme 1 above.

A combination of staff feedback methods are used (e.g. pulse surveys, detailed employee surveys and data gathering through team meetings) to provide quantitative and qualitative data to help inform how we develop, target and refresh the Council's approach to organisational development (theme 4 above). Feedback from staff will be sought in the first half of 2023/24 to help determine a baseline of views on the organisation and ultimately how engaged staff currently feel at work.

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 Data Protection, communications protocol 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.

ENGAGEMENT

Statutory and non-statutory 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 regularly review our approach to engagement, to broaden the types of engagement undertaken and to improve use of digital channels. This is balanced with the needs of non-digital audience, to maximise our reach. .

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 2022/23 included the following conclusion:

[2022/23 Opinion to be inserted when received.

Scheduled to be reported to Audit Committee in September 2023]

Internal audit reviews undertaken in 2022/23 that were assessed as providing 'reasonable' or better assurance included: Decision Making & Accountability, Business Continuity, IT Database Management, Economic Prosperity, and Environmental Sustainability.

The ISA260 Report (from our external auditors - Deloitte LLP) summarises the finding of the audit of the Council each year.

[2022/23 opinion to be inserted when received].

ANNUAL REVIEW OF THE SYSTEM OF INTERNAL CONTROL

An annual review has been conducted in compliance with the Regulations that govern preparation of the Annual Governance Statement. The purpose of the review was to consider the effectiveness of the system and provide the evidence to support it. During 2021/22 internal audit audited the approach taken to preparing the Annual Governance Statement and concluded that there was 'substantial assurance' that it meets the required standard.

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.

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.

The governance matters worthy of specific mention are:

- The Statement of Accounts for 2020/21 was published in March 2022 the external audit is in progress but has not yet been finalised for approval by Audit Committee;
- The Statement of Accounts for 2021/22 was scheduled to be published in July 2023 and the audit is expected to commence by late summer 2023; and
- The Statement of Accounts for 2022/23 is scheduled to be published in autumn 2023.

An extended timescale was agreed with the external auditor for publication and auditing of these accounts to allow time for completion of agreed actions by the Finance team to address historic shortcomings in the financial fixed asset register.



These issues do not call into question the accuracy of asset values in the accounts but they do give rise to significant challenges for the Finance team when assembling the supporting asset records and audit trail. It was therefore agreed that additional capacity and time would be dedicated to remedying these issues as part of end of year work.

- During the year the authority has resolved the issues that were raised in the 2021/22 Annual Governance Statement relating to a commercial joint venture.
- During the year work has commenced to address issues that have arisen with regard to the authority's investment in a second commercial entity. This activity is overseen by the statutory officers under the direction of the Partner, Shareholder and Trustee Committee and with support from external legal, financial and commercial advisors.

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.

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Councillor Richard Biggs

Leader of the Council

Date: dd/mm 2023

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Mari Roberts-Wood

Managing Director

Date: dd/mm 2023