

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	AUDIT & GOVERNANCE COMMITTEE		
DATE:	28 September 2017	AGENDA ITEM:	9
TITLE:	Annual Governance Statement 2016/2017 - Updated Action Plan		
LEAD COUNCILLOR:	Councillor Lovelock	PORTFOLIO:	Leadership
SERVICE:	FINANCE	WARDS:	N/A
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1. EXECUTIVE SUMMARY

- 1.1 The Council is responsible for ensuring that financial management is adequate and effective and that there is a sound system of internal control, which facilitates the effective exercise of the Council's functions. It is also essential that there are effective arrangements for the management of risk.
- 1.2 The Accounts and Audit Regulations require local authorities to prepare and publish an Annual Governance Statement (AGS) each financial year, which accompanies the Authority's financial statements. This was presented to the Audit and Governance Committee in July 2017 along with an action plan to address the governance challenges identified.
- 1.3 This report updates the Committee on the progress made against the action plan which is appended to this report.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee considers, and comments on, the progress being made against the action plan and also indicates any further requirement for information to assure themselves of continued improvements.

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No.	Management Action	How implemented	Progress	Due date	Status	Responsible Officer	Monitoring Comments
1.	Prepare and agree a robust and deliverable Medium Term Financial Strategy for the period 2017/18 to 2019/20	Development of a robust MTFS for 2017/18 to 2019/20	Revised MTFS being presented to Policy Committee on 17 July 2017, with further work on robustness and delivery planned	July 2017	Reports prepared for Committee showing balanced positions for 2017/18 and 2018/19. More work required to balance 2019/20	Director of Finance	A revised and more robust budget for 2017/18, including a MTFS to 2020, was presented to, and agreed by, the Policy Committee in July 2017. There is now in place a robust savings monitoring regime overseen by the Delivery Unit and the Corporate Programme Delivery Group. In addition, the directorate accountants, with directorates, review spend and income against budgets with projections forward to the year-end based upon research about demand factors. A programme of work to prepare the detailed budget for 2018/19 and MTFS for 2019/20 and 2020/21 has also commenced. In addition a Corporate Plan for 2018-21 is being developed in parallel with the budget preparations.
2.	Prepare and deliver a robust savings monitoring programme to ensure that savings are delivered and/or adjusted according to a strong governance process	Implementation of a more robust budget and savings monitoring regime overseen by the Corporate Programme Delivery Group	Corporate Programme Delivery Group now oversees robust savings monitoring regime. Changes to the proposals are monitored and controlled.	May 2017	Implemented and now embedding	Head of Customer Services	There is a process for robust savings monitoring overseen by the Delivery Unit and the Corporate Programme Delivery Group (CPDG). This has been in place since May 2017 and has been improved each month. There is now more independent investigation into each saving by the Delivery Unit and more scrutiny at CPDG and at the individual Directorate Steering groups. This has driven up the standard of scrutiny and the quality and regularity of information being

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							<p>supplied from directorates. There is a clear expectation that where savings cannot be delivered then mitigating actions are put forward.</p> <p>The early results from an Internal Audit review of this area are encouraging</p>
3.	Put in place a robust regime for the reconciliation of control accounts on an ongoing basis	EY recommended that a centrally held list of reconciliations should be kept, so this should be implemented by creating (and keeping up to date) such a list	Most reconciliations have been done to 31 March 2017 but the list has not yet been established	List in place and status recorded of all reconciliations by 31 Aug 2017	In progress - list being started	Head of Finance (with Chief Technical Accountant)	The centrally held list of reconciliations is being further refined and checked. Key to this is Customer Services (Revenues & Benefits) which is the key area outside of Finance Function for such reconciliations. The draft schedule will be ready for discussion/ review with EY during October. Checking is underway of other reconciliations which may not be up to date and processes/resources to rectify this will be proposed and agreed.
4.	Ensure that Children's Services has an appropriate level of resources and that there are processes in place to monitor the resource allocated to the service and the achievement of service improvements required	Additional resources have been added to the Finance Team supporting Children's Services. This includes the appointment of the Interim Directorate Accountant from the end of	DCEEH DMT have a clearer understanding of the Children's Services budgets and the implementation of the MTFS for Children's Services was completed with the full involvement of DMT. The accounts closure	June	Partly achieved, further improvements depend upon Team resourcing	Director of Finance	<p>New temporary Senior Accountant has now been appointed increasing the level of resources within Team.</p> <p>DMT now demonstrate a strong understanding and ownership of budgets within the Directorate Performance Meetings.</p> <p>Finance assists decision making with DMT by providing robust, accurate and timely information to assist in the process.</p>

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		<p>November 2016, secondment of the Senior Analyst to the Team from March 2017 and now access to an Interim Senior Analyst. This was to enable improved monitoring of the Children's Services budgets. As well as overall improvements to monitor budgets and improving the relationship between Children's Services and Finance.</p> <p>Key monitoring piece of work is LAC Modelling and the development of the MOSAIC system.</p>	<p>process has impacted the process of the introduction of further improvements. Now closure has been completed the improvements can gather pace again.</p>	September 2017	Started in July but slower progress than anticipated		<p>Capacity remains a concern to ensure improvements are both timely and robust; we require dedicated and experienced accountants to provide challenge and support to both service managers and various panels (SEND/ Solutions). The historical LAC position requires further profiling to include financial projections for MTFS.</p> <p>There is improved budget monitoring and clear understanding of Children's Services budgets and key high risk areas, and the factors impacting on these areas. The LAC monitoring of CSE children and the activity data are now used in the budget monitoring process. The current level of LAC placements will be profiled to assess the impact on future years of the MTFS. Initial LAC profiling on age, has started and will be progressed and monitored in Quality Assurance Meetings.</p> <p>A strategy has now been developed for SEND to be implemented and to reduce the pressure on the High Needs budget.</p> <p>Finance has improved the monitoring for schools with deficits</p>

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							and are implementing loan agreements.
5.	Further develop the financial culture of the Council	<p>A revised budget management handbook will be made available and it is planned to have some training sessions to launch and embed it.</p> <p>CMT will further scrutinise financial information and seek to lead by example in terms of the culture.</p>	<p>Revised handbook was published in April 2017.</p> <p>Training sessions are being planned for November 2017.</p> <p>CMT already scrutinises finance and performance information, but will undertake more intense investigation to ensure that expenditure is delivered in line with the budget.</p>	<p>April 2017</p> <p>November 2017</p> <p>June 2017 (first monitoring for 2017/18)</p>	<p>Complete</p> <p>In planning</p> <p>Commenced</p>	<p>Director of Finance</p>	<p>Training planning meeting took place on 9 August, with a further meeting on 13 September.</p> <p>Training for all budget managers is planned for early November 2017</p> <p>The planned restructure of the Finance Team will also prepare for a different cultural environment where there is more self-service by budget managers</p> <p>Detailed scrutiny of the budget position for 2017/18 takes place monthly at CMT meetings; Directorate Steering Groups sessions now present the opportunity for more detailed scrutiny.</p>
6.	Children's Services: Meet the objectives within the Learning and Improvement plan for Children's Services following the Ofsted Inspection in June 2016	A detailed action plan has been prepared, that is monitored by ACE Committee	Actions are in various states of progress - see most recent report to ACE	Various to 31/3/18 and beyond	In progress	Director of Children's, Education & Early Help Services	<p>Out of 26 key performance indicators, 7 are green, 10 amber and 12 red. This shows positive direction of travel from 4 green, 10 amber and 15 red in May.</p> <p>Out of the 12 red ratings 4 are showing improvement in terms of performance and direction of travel, 2 remain static and 6 show a decline in performance and direction of travel.</p>

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							Of these 6 showing decline, action is being taken to ensure that performance and direction of travel is brought back on track.
7.	Replacement of agency and interim staff with permanently employed staff	Staff in post on permanent appointments wherever possible	Recruitment Drive underway in Children's Services to attract and retain SW and management staff. In other areas, initial scoping work has been done and there would be little in the way of realisable savings.	30 September 2017	In progress	Head of Legal and Democratic Services	<p>Since the recruitment drive was launched in June 2017, there have been 3 new starters. In total (as at 1 Sept 2017) 19 offers of posts have been accepted with start dates in June, August, September and October confirmed. There are 7 start dates to be confirmed. Some of these are people who have been working with RBC through Agencies. This shows that they are now encouraged to convert to directly employed. There have been 3 internal promotions. Of the 19, 5 are Service Managers and 8 are Team Managers.</p> <p>Still to be recruited are:</p> <ul style="list-style-type: none"> • 4 Team Managers • 4 Assistant Team Managers • 1 Higher Specialist Social Worker • 35 Social Workers <p>All the Service Manager posts have been offered and accepted!</p> <p>Learning & Development is a key focus with managers having</p>

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							individual development plans and a Talent Programme being developed. Reflective supervision training will be delivered. These aim to develop the managers and front line staff and assist in retaining the permanent staff.
8a.	Internal Controls: <i>General Ledger</i> - detailed action plan in response to Internal Audit findings to be completed and delivered.	Action Plan has been drafted for review setting out in detail how each recommendation will be addressed in the short and medium term	Actions contained within the action are being progressed; the highest priority recommendations are being addressed in the shortest timescale	August 2017 for high priority October 2017 for medium and low priority	Actions underway - all short term target dates met	Financial Systems Manager	Two of the three Priority 1 issues have now been fully addressed; the final Priority 1 issue related to the control of journals and this has been thoroughly investigated. The principle that a different control arrangement is required has been agreed by the Head of and Director of Finance. The Head of Finance and Financial Systems Manager are in discussion about how the control should be implemented; an interim solution, at least, will be implemented from the beginning of October. Internal Audit is due to undertake a follow up review shortly.
8b.	Internal Controls: <i>Accounts Payable</i> - detailed action plan in response to Internal Audit findings to be completed and delivered	Specialist Payments Team Change Manager to be appointed. Change Manager to review AP Audit	Interim Accounts Payable Change Manager Appointed Documents reviewed by Change Manager and commented	5 June 2017 8 June 2017	Recruitment Completed Manager in Post Completed	Interim FD	Postholder making a positive impact. Full Audit Response submitted to IA with all Amber then Green tasks prioritised (no red). Audit response reviewed and accepted by Internal Audit Ongoing review to identify any

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		<p>Management Action Plan and complete Management Response, Response Person and Target Date</p> <p>Create detailed supporting implementation plan that addresses all points raised and integrates solutions with introduction of upcoming supplier portal</p>	<p>Summary top level run through completed with Accounts Payable team</p> <p>Balance of actions o/s</p>	<p>9 June 2017</p> <p>9 June 2017</p>	<p>Known remedial actions will be factored into (currently in draft) audit milestone plan</p> <p>Completed</p>	<p>Accounts Payable Change Manager</p>	<p>further (non audit) AP process improvements.</p> <p>Produced milestone chart to focus implementation of: Remedial audit actions agreed Supplier Portal implementation, to streamline setting up of suppliers and manage the interface better Scanning (of invoices) Project Implementation, to improve electronic matching</p>
8c.	<p>Internal Controls: <i>Bank Reconciliation</i> - regular completion of timely reconciliations throughout the year</p>	<p>A revised properly structured procedure will be put in place to complete the bank reconciliation, with proper "walk through" possible</p> <p>Bank account reconciliation completed in timely way and</p>	<p>Considerable work was done to identify the weaknesses of the existing process (substantially by the Treasury & VAT officer, under the guidance of the then Interim Chief Accountant</p> <p>This has identified the need to change the</p>	<p>Process in place from July with suitable "back entries" for months up to July 2017</p>	<p>Work in Progress.</p> <p>Work has proceeded more slowly than the aspiration because officers involved have had to deal with other work, notably external</p>	<p>Head of Finance</p>	<p>In order to complete the 2016/17 accounts, a detailed bank reconciliation has been carried out. That process has identified a number of system and process improvements that will automate the reconciliation process going forward. A proposed revised procedure has been set out and reviewed by HoF, DoF & Internal Audit. System changes are now to be implemented in October to facilitate the new procedure going live. The timing is in discussion with the Finance Systems Team (as some other system changes are scheduled</p>

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		reviewed by a senior officer on a monthly basis, within the month			audit queries		in the near future)
8d.	Internal Controls: <i>Information Governance & data protection</i> Improve governance structures to mitigate risk of breach of data protection legislation	Revised procedures, improved training and awareness	Ongoing training to staff and improved breach reporting procedures has meant that more mitigation is in place. Work is underway to ensure that the Council is compliant with the new General Data Protection Regulation (GDPR) when it comes into force in May 2018	Dec 17	In progress	Head of Legal & Democratic Services	<p>Ongoing face to face Data Protection training currently being delivered to all staff. Teams who process and hold sensitive data a high priority. A need to target staff who work at offsite locations.</p> <p>Working with Learning and Development to further develop E-learning packages Covering Information Governance including the GDPR.</p> <p>The GDPR project team will be holding monthly drop in sessions for staff to help awareness of the new regulation.</p> <p>The Corporate Information Governance Board is now set up with representatives from across the Council. That Board will lead on embedding the standards required.</p> <p>New software (Data leakage protection), to detect inappropriate email content, is imminent Document marking software is already in place</p>

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8e.	Internal Controls: <i>Subject Access Requests</i> Under the Data Protection Act 1998, individuals have a right to access information held about them. A consistent policy and procedure should be applied to subject access requests.	Different routes of access have been merged into a single route, which will be co-ordinated and monitored via Legal Service A new policy and procedure has been implemented and key officers are being trained by Legal Services	Training has been delivered to key service areas and teams who are likely to come in contact with SARs.	31 March 17	Complete	Head of Legal & Democratic Services	The new procedure is working well with all routes of access being co-ordinated by Legal Services. The GDPR imposes new requirements on local authorities dealing with SARs and we will need to make amendments to our processes in light of this.
8f.	Internal Controls: <i>Electronic Document & Records Management</i> - Internal processes to collect and manage the transportation of paper documents for scanning must provide sufficient guarantees that documents will be safely accounted for and protect the Council from the risk of data loss	The Business Systems Support Team is progressing with the work to redesign the overall service provision including the arrangements for the secure transfer of hard copy documents	A range of process and procedure improvements have been implemented to increase in internal controls and safeguards. Choice of courier used is to be reviewed. Individual information Asset Owners will need to periodically assure themselves that arrangements for transfer of documents are appropriate for the nature of the data they include.	31 Dec 2017	In Progress	Head of Customer Services	Internal controls and process improvements in place. Royal Mail courier contract is now in place, with transition to be completed by the due date of 31 Dec 2017 Information asset owners engaged and consulted on proposed changes to processes and supplier. IA follow up review scheduled Autumn 17

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8g.	Internal Controls: <i>Accounts receivable</i> All services raise invoices promptly and provide sufficient details on invoices to improve collection performance	Refreshed procedures are being written up to accurately reflect the procedures we have in place for raising, monitoring and chasing of unpaid invoices. These procedures will be re-launched and shared with other service areas, to ensure the quality of information provided on invoices is improved.	We are currently working on a proposal to recommend with the validation from internal audit, a significant change to the way invoices are being raised currently. Whereby directorates/services would forward details of potential invoices to Income & Recovery for the team to then raise centrally. This could have several potential advantages for the Council and could improve the efficiency and effectiveness of income collection and recovery. This proposal is to be further investigated and presented to CMT for discussion in the near future.	31 January 2018 for the review	In progress	Head of Customer Services / Head of Finance	This project has not yet commenced. It will now be delivered by a dedicated resource from September 18th. Review due for completion Jan 2018. Implementation will follow thereafter
8h.	Internal Controls: <i>Nursing & residential care packages</i> > Improve audit trails to provide better evidence of	Alternative support options are considered and tried in some cases before requests for long term placements	These are clearly recorded; an audit of the panel proformas and decision log will be completed to ensure compliance with the process annually.	Ongoing	Green	Director of Adult Care & Health Services	The Department has a pre-funding panel process currently being introduced to monitor the use of community options and the use of assistive technology to support residents remain at home and reduce reliance upon home care.

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	<p>placement decisions made by the Adult Funding Panel</p> <p>Improve procedures to ensure care packages are reviewed annually to comply with statutory review process</p>	<p>are made, an example being the rehab beds at The Willows. There is a clear audit trail for those individuals presented at panel, out of panel decisions also have an audit trail - these decisions relate mainly to hospital discharges. Evidence for placement and justification for decision is clearly recorded. The panel has representation from commissioning who contribute to the decision making process.</p> <p>Reviews are recorded in MOSAIC, this generates a review date. Managers run</p>	<p>Review project in place to support compliance with reviews. Reports run for managers to review evidence of performance.</p>	Ongoing	Amber		<p>A Funding Panel meets weekly which is chaired by the DASS or Head of ASC, which supports the auditing of casework decisions in relation to how eligible care and support needs are met, and ensures a value for money approach when 24 hour support is required.</p> <p>Decisions are recorded at the Panel and followed up where this is determined necessary through representation.</p> <p>A Specialised Review Team has been created to support completion of Reviews and reduce the reliance upon statutory services. The Review will consider all universal community options, or where care and support is required through home care, then support the use of direct payments to enable the service user to have control over their care and support needs.</p> <p>Work is underway to review the Reports required from MOISAC to monitor and manage the throughput of work.</p>

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		reports from MOSAIC to monitor performance and compliance.					
8i.	Internal Controls: <i>Corporate Governance</i> Improve a number of corporate governance processes, update key documents and communicate to staff on starting employment with the Council or on a regular basis during their employment	The Officers Code of Conduct will be reviewed and updated to ensure it reflects current practice and requirements Review Code of Corporate Governance Use of NetConsent to roll out key policies and procedures	Code of Conduct currently being updated (June 2017). It will be considered at CMT before going on to LJF and Personnel Committee for formal approval.	30 September 2017	Ongoing	Head of Legal and Democratic Services	A draft revised Code of Conduct has been finalised and will be put before CMT for approval before going to LJF and Personnel Committee. Implementation of the new Code will be through Netconsent (software to track individual staff review to ensure compliance)
8j.	Internal Controls: <i>Strengthen and embed the processes for the management of risk.</i> Current deployment is not robust enough for risk management to be a key influence in decision making	Develop the current directorate risk registers specifying the owner of each action	Risk action plan updated for 2017/18. Directorate risk registers programmed in for quarterly discussion at DMTs. Strategic Risk Register programmed in for quarterly review at CMT. Level 4 Risk Management training, supplied by Council's insurers being	1 st April 2017 31 Dec 2017	Complete Ongoing	Director of Finance	17 staff have been invited to Level 4 Risk Training and 10 have accepted. Reminder to be sent in Sept 17. New reformatted risk register has been agreed by CMT. The new format introduces risk appetite and aims to better inform those responsible for managing risks. A risk workshop is being arranged for Oct/Nov 2017 to overhaul the register.

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			scheduled for senior officers.				
8k.	Internal Controls: <i>Compliance</i> An appropriate set of governance arrangements exist yet these are not followed rigorously which then allows weaknesses in internal controls	Attention will be paid to professional practice and compliance to drive up standards, as well as cultural change efforts in terms of the operation of the Council.	Through the development of the AGS and actions plans such as this one, plus an appropriate focus on discipline and good governance then improvements will be made. More formal interventions in terms of organisational development will be required in due course.	May 2017 September 2017	Developing and ongoing Requires planning	Director of Finance	AGS action plan is now in place and is being actively monitored by the Due Diligence Group. Those responsible for the actions identified above are both implementing the actions and updating the action plan. Action leads are attending the Due Diligence Group on a periodic basis. The recently implemented Directorate Steering Groups are reviewing overall performance and adherence to standards and will start to have some impact in governance terms. Overall, the mood of the organisation is being changed through a range of interventions, including the Chief Executive staff briefings.
9.	Develop a clear and consistent strategy or procedure for advising new and existing staff of their responsibility to declare interests and register gifts of hospitality	Designation of officers in each Directorate to hold registers. Recommunication of expectations on staff.	Each Director will be asked to nominate an individual in their area to hold the register. There will be communication and NetConsent approval to remind all staff of what to declare, why and to whom.	31 October 2017	Ongoing	Head of Legal, HR & Democratic Services	Work has commenced on this task and the CMT is now considering the proposed approach for implementation, intended in week commencing 9 October. Before that there will be appropriate communications with staff and arrangements to implement this via NetConsent (software that monitors staff that have engaged with the policy). The new register of

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							interests, once implemented, will be monitored quarterly at DMTs and published accordingly.
10.	Align performance reporting processes to ensure CMT is fully sighted on organisational health and performance	New framework in place and embedded with regular review meetings scheduled for 2017/18	Regular meetings are in place for reporting and performance however, it is proposed to review and refresh framework during 17/18.	End July 2017	Ongoing	Head of Customer Services	<p>New meeting arrangements were put in place from 1/8/17. This includes new directorate steering groups which involve meetings of DMT's & corporate senior management. New directors reports on performance have been put in place reporting into CMT.</p> <p>One round of meetings has taken place so far; these focus attention on processes, systems and performance for each single directorate. Each director is held accountable for progress and performance. The Delivery Unit prepares the information in a consistent form. It is too early to quantify the impact of these meetings.</p> <p>Proposals are being developed for the creation of a centralised performance unit - to give insight to inform policy.</p>

