

ANNUAL GOVERNANCE STATEMENT 2020/2021

September 2021

SCOPE OF RESPONSIBILITY

Reading Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for, and
- resources are used economically, efficiently and effectively.

The Council also has a duty to:

- make arrangements to secure continuous improvement in the way in which its functions are exercised
- put in place proper arrangements for the governance of its affairs, and
- implement and maintain effective processes of internal control, including appropriate arrangements to manage risk.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems, processes, cultures and values which underpin how the Council is controlled and managed internally, and how it engages with taxpayers, service users and the wider community. The governance framework as described in the Council's constitution (https://www.reading.gov.uk/media/1338/Constitution-of-The-Council/pdf/Constitution_of_the_Council.pdf) enables the Council to monitor delivery of its strategic objectives and assess whether those objectives are securing service improvements and value for money. Systems of internal control and risk management are a significant part of the governance framework and are designed to manage risk down to a reasonable level. Some risks can never be eliminated entirely, however, and these processes provide only reasonable and not absolute assurance of effectiveness.

THE GOVERNANCE FRAMEWORK AT READING

The Council operates a committee-based system of governance with four standing committees broadly aligned to the Council's departmental structure. Their remit includes obtaining assurance that Corporate Plan priorities, and the Budget and Policy Framework approved by Council each year, are delivered in their relevant areas. There are no separate scrutiny committees or call in provisions. However:

- the Standards Committee investigates specific allegations of misconduct;
- the Audit and Governance Committee is tasked with reviewing and considering improvements to corporate governance in general; and
- all standing committees are able to undertake scrutiny of relevant functions where they think it appropriate.

CHANGES TO THE GOVERNANCE FRAMEWORK IN 2020/21

The Personnel Committee considered changes to the senior management structure in January 2021. A recommendation to Council was made to change the designation of the Executive Director of Resources to Deputy Chief Executive (and Deputy Head of Paid Service). The role of Chief Finance Officer was redesignated. The existing role of Assistant Director of Finance was amended to become Director of Finance (and designated as the Chief Finance Officer under section 151 of the Local Government Act 1972). These recommendations were confirmed by Council in March 2021. The changes strengthen the capacity of the senior leadership team to perform their statutory roles and provide even more effective leadership for the organisation.

GROUP GOVERNANCE

The Council operates a number of companies:

Reading Transport Ltd - the operating company for Reading Buses, which itself has a number of subsidiaries. (100% share ownership).

Homes for Reading Ltd - provision of private sector lettings. (100% share ownership).

Brighter Futures for Children Ltd - provision of Children's Services. (Sole member).

Reading Hampshire Property Partnership Ltd- provision of property and construction related consultancy and procurement. (49% share ownership).

The Council also has involvement in two other not for profit partnerships as a member: **Reading UK CIC** delivering economic development for the Borough and **IESE Ltd** providing management consultancy in the public sector.

The Council continues to receive appropriate information about the performance of its companies through the Policy Committee which acts as the designated shareholder committee for the Council. In June 2021, Policy Committee agreed to review the governance arrangements for Reading Transport Ltd, including new appointments to the Board. These actions are in hand.

The Council's Children's Services function was removed from intervention by the Secretary of State in February 2021. This was a considerable achievement for Brighter Futures for Children Ltd the company set up by Reading Borough Council as a response to intervention and with the objective of improving the welfare and life-chances of children and young people in the Borough.

COVID-19 RESPONSE: GOVERNANCE FRAMEWORK

Decision making

In March 2020, in order to focus and guide the Council's response to the Coronavirus Pandemic the Council instigated the Urgency Procedures in Article 7.7 of the Council's Constitution which allowed for a smaller group of councillors to act as the Policy Committee and make decisions on behalf of other Committees and Council. The Policy Committee functioned with 10 members during the early part of the pandemic and gradually Committees were brought back on-stream and with full participation from councillors. From April 2020 until May 2021, the Council conducted meetings online, allowing residents to participate remotely to ask questions or to exercise their public speaking rights. These arrangements were effective and ensured that the pandemic did not hinder the democratic process. A range of different protocols were introduced to allow for effective meetings to take place remotely.

The Annual Council meeting in May 2020 was managed by Policy Committee under Urgency Procedures and arrangements were made to adjust to term of the Mayor to provide civic leadership for the Borough during the pandemic.

The Council continues to utilise its Decision Book process to publicise routine decisions made by officers after consultation with lead councillors.

Corporate priorities

To enable the Council to fulfil its leadership role and to guide its work with partners in providing the support that residents and businesses needed, the Council's Corporate Plan priorities were reframed during the pandemic to provide clarity of purpose and a three-point strategic framework was adopted based around the following three broad priorities:

- (a) To support and protect vulnerable children and adults by ensuring the social care system continues to function effectively
- (b) To support the people who are most vulnerable and isolated in our communities
- (c) To support businesses and the local economy, and secure Reading's economic recovery

In March 2021, the Council adopted a new Corporate Plan for the forthcoming year, "Investing in Reading's Future". This plan was determined for one year given the uncertainties of the pandemic and the need to respond flexibly in the recovery phase.

The vision for Reading Borough Council was agreed:

To ensure that Reading realises its potential - and to ensure that everyone who lives and works here can share the benefits of its success.

The Council agreed to drive the change that it wants to see in Reading by focussing on these three themes:

- Healthy environment
- Thriving communities
- Inclusive economy

The Corporate Plan will be considered again in 2021/22.

Team Reading

In March 2021, the Council undertook a staff survey which gathered responses from 58% of the Council's workforce, over 1000 responses. The results from this Survey were extremely positive and provide a good indication that the work done by the Council to engage staff from previous surveys, and with the Leadership Development Programme is showing results. 95% of staff agreed that they were making a valuable contribution to the success of the Council in their job. 87% of staff said they enjoyed their job and 89% agreed that their manager was interested in their well-being. 84% want to continue working for the Council and 81% knew the organisational values of Team Reading. As would be expected, there were some areas identified for future improvement and the Corporate Management Team has commissioned work in these areas to address those issues.

The Council's Leadership Development programme continued throughout 2020/21 and has now come to a close with all of the Senior Leadership Group and managers reporting to them having participated in this programme to embed the Team Reading approach. The work of the Team Reading Board continues to embed the Council's values and behaviours throughout the organisation.

Finance

A new medium-term financial strategy was approved by Council in February 2021 to cover the three years 2021/22 - 2023/24. Councillors received updates throughout 2020/21 to advise on the financial effects of the pandemic to council services and finances. Income was badly affected as services were forced to close and the economy slowed.

The purpose of the Medium-Term Financial Strategy was to deliver a balanced and affordable 2021/22 budget and ensure that the Council's finances are robust and sustainable over the medium term, and that in the longer term, the Council's finances are not reliant on the unsustainable use of one-off reserves or funding.

The Strategy builds on work over the previous two-three years to stabilise the Council's financial position and build reserves back to more robust levels. This has enabled vital investment in core infrastructure to drive efficiency improvements, facilitate service redesign and thereby manage pressures within demand led services. This invest to save approach allows for a robust financial position in the future and enables vital and valued services to continue to be delivered. Whilst the Budget Strategy relies on significant service transformation to drive increased efficiency savings and income generation it does mean that service cuts are not required.

Investment in Reading's Services and infrastructure continued even though the pandemic leading to a review of some costs and timelines. For instance, the Council was able to confirm investment in its new Leisure Centres, an extensive programme of highway improvements and a new five year Housing Strategy. The Council also revised its contracts for an improved ICT operating model which has now provided the foundations for a Digital Strategy for the Borough.

The Council has also prioritised Economic Recovery and Renewal from the pandemic and a stronger focus on fighting inequality and promoting inclusion.

External Audit

The Council's external auditors, Ernst & Young (EY), issued a qualified opinion for the 2016/17 accounts because of a number of historic and significant control deficiencies. This led to delays in the publishing of annual accounts for 2017/18, 2018/19, 2019/20 and 2020/21. However, the audit of 2017/18 was completed in October 2020 and the audit for 2018/19 will be concluded in September 2021. The audit on 2019/20 has commenced and work is ongoing to finalise the 2020/21 Statement.

Democracy

Elections due in May 2020 were delayed for all local authorities until May 2021. Effective planning for the local government and Police and Crime Commissioner elections throughout 2020/21 saw delivery of Covid secure elections. Significant changes were made at Polling Stations and the Count Venue to ensure that electors and polling staff were safe.

Resident satisfaction

In September 2020, the Council commissioned a representative sample of 1,000 residents. The purpose of the survey was to gauge levels of satisfaction with the local area, the Council and the services it provides. When compared to our Citizens Panel Survey of 2018, the results were overwhelmingly positive: 77% of residents said they are satisfied with their local area as a place to live, compared with 65% in the 2018 Survey and 64% said they were satisfied with the way the Council runs things, a huge improvement on the 38% from the Panel Survey. The number of residents who agree that the Council provides value for money has more than

doubled from 22% to 45% The Council plans to repeat similar surveys in the future and to draw more learning from the messages articulated by residents as priorities for the town.

ARRANGEMENTS FOR GOVERNANCE

The Council's governance arrangements are designed to secure compliance with the principles set out in the "CIPFA¹/SOLACE² Framework for "Delivering Good Governance in Local Authorities"³ (updated 2016): CIPFA/SOLACE Framework for "Delivering Good Governance in Local Authorities.

RBC 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 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.

The Council meets the Standards of the Framework in the following ways:

Behaving with integrity

Codes of Conduct set out expected standards of behaviour for staff and councillors and the standards committee investigates any allegations of non-compliance. The Council's Chief Finance Officer and Monitoring Officer have specific statutory responsibilities to ensure that decisions taken by the Council are lawful and in line with constitutional requirements.

Ensuring openness

The Council consults regularly with stakeholders, taxpayers and service users. The Consultation Hub on the Council's website enables local people to find, participate in, and view outcomes from, any consultation activities that interest them. In addition, 20 different committees and forums are in place to represent local views on a range of subjects including transport, disabled access, children's services and community safety.

Defining sustainable outcomes

The Corporate Plan sets out how the Council aims to work in partnership to achieve its agreed objectives. These key objectives are designed to be both financially and environmentally sustainable and have been developed in consultation with partners and local people. The Medium-Term Financial Strategy makes a realistic assessment of financial resources available, and the Budget and Policy Framework approved by Council each year sets out revenue and capital spending limits, savings and efficiency targets as well as key improvement priorities for the forthcoming year.

¹ Chartered Institute of Public Finance and Accountancy

² Society of Local Authority Chief Executives.

³ Also referred to as "the Framework", see CIPFA website www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition

Achieving intended outcomes

The four standing committees are responsible for ensuring that actions approved as part of the Budget and Policy Framework are delivered in each service area. The Projected Outturn reports to Policy Committee summarise the financial position to date against budget and delivery of agreed savings targets. Key performance indicators are reviewed quarterly by the Corporate Management Team and Policy Committee.

Developing capacity

Maximising capacity by working collaboratively is a key component of the Corporate Plan and a number of longstanding partnership working arrangements are in place. The Constitution sets out how the governance aspects of these arrangements should operate in practice. The Learning and Workforce Development Team has a specific role and remit to improve the capability and capacity of Council officers by offering a range of skills and qualification-based training opportunities.

Managing risks

The Strategic Risk Register provide a high-level overview of key risks which are reported to management and to councillors at least twice a year. Financial Procedure Rules and Financial Regulations, together with Contracts Procedure Rules and Employment Procedure Rules, set out the framework of internal controls. Internal Audit have a programme of work designed to assess how this framework operates in practice and report to the Audit and Governance Committee.

Transparency and accountability

All Council meetings are held in public and minutes of meetings and webcasts are available on the Council's website. Following the closure of the Council offices in March 2020, the Council moved to online meetings which could be viewed by residents via a link from the Council's website. Work was subsequently commissioned to implement hybrid meetings facilities in the Council Offices.

MANAGING THE RISK OF FRAUD

The financial resources available to the Council need to be maximised and used effectively, in order to help achieve the corporate strategies. One aspect to assisting with maximising available resources is to reduce the opportunity for fraud and misappropriation. This is done through proactive and reactive investigations. The Council will not tolerate fraud or corruption by its councillors, employees, suppliers, contractors or service users and will take all necessary steps to investigate any allegation of fraud or corruption and pursue sanctions available in each case, including removal from office, dismissal and/or prosecution.

Individual fraud cases are normally handled by the Audit & Investigations Team who mainly deal with fraud encountered in areas such as benefits schemes (e.g. Council Tax support etc.), council tenancies, blue badges and social care payments. Quarterly updates are provided to the Council's Audit & Governance Committee.

We have no knowledge of any actual, suspected or alleged fraud affecting the Authority, which would cause a material misstatement in the financial statement's either through fraudulent

financial reporting and/or misstatements resulting from misappropriation of assets for 2020/2021.

REVIEW OF EFFECTIVENESS

The Council uses several ways to review the effectiveness of governance arrangements. One of the key assurance statements is the annual report and opinion of the Chief Auditor. The role of the Internal Audit Service is to provide assurance to management and those charged with government about the quality and effectiveness of the governance framework and systems of internal control. The internal team completed 21 audits and 4 grant certifications. A further 4 audits had fieldwork completed at 31 March 2021, but with reports to be finalised. 144 audit recommendations have been made, of which 19 (13%) were classified as a high priority.

Public Sector Internal Audit Standards require the Chief Auditor to provide an assessment of the overall adequacy and effectiveness of the Council's control environment. This opinion is expressed using a scale ranging from Substantial to Reasonable, then Limited and finally No Assurance. The Chief Auditor has concluded that only Limited Assurance can be placed on the Council's internal control framework for 2020/21, largely because of weaknesses in key financial systems. [The full report can be viewed here.](#)

The Chief Auditor notes: *“Whilst our opinion is similar to last year, it must be noted that a positive trajectory to improvement is starting to emerge following improvement initiatives, such as the Finance Improvement Programme and the significant improvement in the implementation of historic audit recommendations, since implementing the new tracking and reporting process. Clearly, this improvement trajectory needs to be sustained in 2021/22 to enhance assurance that control, risk and governance arrangements are effective across the Council”.*

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. These reviews identified improvements to governance arrangements and internal control during the year, namely:

- Commissioning CIPFA to undertake a review of the Council's Finance function and subsequently implementing a finance transformation programme progress against which is reported to the Council's Audit and Governance Committee
- Agreeing and implementing a new Corporate Debt Policy
- Commissioning an independent report into the governance and operation of one of its wholly owned companies the results of which were reported to the Council's Policy Committee as Shareholder in June 2021
- Setting up a corporate Information Governance Board chaired by the Monitoring Officer to improve the Council's information governance arrangements
- Rolling out improved cyber security and data protection training to staff and members
- Commissioning Business in the Community to review the Council's approach to equality, diversity and inclusion
- Implementing a new performance management platform InPhase
- Commencing a review of the Council's Constitution including Finance and Procurement and Contract Procedure Rules and the Scheme of Delegation
- Ongoing LGA scrutiny in relation to Adult Social Care & Health Services Directorate (DACH's) savings and budgets

- Verification exercise undertaken by an external consultant to verify and provide assurance around DACH's Savings and Transformation Programme
- Inspections by the Care Quality Commission in our regulated services. No reports were received in 2020/21

Other governance outcomes are shown below:

Issues Identified	Performance in 2020/2021
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received 3 complaints about member conduct in 20/21. Two were dismissed at the filter stage and one was investigated under group procedures and upheld.
Proven frauds carried out by councillors or members of staff	None
Objections received from local electors	No objections have been received from local electors
Local Government Ombudsman referrals upheld	The Local Government Ombudsman (LGO) upheld 3 complaints, none of which had a public interest report published.
Information Commissioner referrals upheld	None.

OTHER INSPECTION WORK

Reading's Children's Services were placed in intervention in 2016 following an Ofsted inspection, with a revised Direction issued in December 2018. A 2019 Ofsted report highlighted examples of strong practice across the service, including in early help services. It also showed there were areas where improvement was still required.

A recent subsequent report by children's services commissioner Nick Whitfield acknowledged the pace of improvements have continued post inspection, alongside an ongoing commitment from both Reading Borough Council and Brighter Futures for Children Ltd for this to continue. The Parliamentary Under Secretary of State for Children and Families, confirmed the lifting of the Government direction in February 2021, as a result of the continuing improvement in children's services in Reading by the Council and Brighter Futures for Children (BFfC).

CONCLUSION

The Council is satisfied that suitable and appropriate governance arrangements are in place. However, there is more to do, in particular to:

- Complete the actions detailed on the directorate assessments (see above)
- Complete further work in relation to the governance of Reading Transport Limited identified at Policy Committee in June 2021
- Complete the review of the Council's Constitution

- Consider the benchmarking exercise undertaken in 2021 by the Internal Audit team against the CIPFA / SOLACE Code of Corporate Governance and to identify policy improvement work to strengthen the governance function generally
- Complete the Finance Improvement Programme necessary to ensure the Council’s financial processes and procedures are robust
- Implement the new financial system
- Embed a new Information Management Strategy and monitor it through the Information Governance Board
- Continue to raise the profile of Audit and embed a culture of compliance by addressing recommendations on a timely basis
- Continue to support the Internal Audit team and ensure that its recommendations are actioned in a timely way by managers with progress reported regularly to the Audit and Governance Committee
- The Council is also committed to a Local Government Association Peer Review in June 2022.

CERTIFICATION

We have been advised on the results of the annual review of the effectiveness of the Council’s governance framework, as set out above. Plans are in place to address the weaknesses identified. Delivery of these plans will be monitored by the Audit and Governance Committee and reported to the public as part of the next annual review.

Signed on behalf of Reading Borough Council by:

..... Jason Brock, Leader of the Council

..... Peter Sloman, Chief Executive