

## ANNUAL GOVERNANCE STATEMENT 2021/2022

September 2022

### 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](#) 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

The Personnel Committee considered changes to the senior management structure in June 2022, following the retirement of the Chief Executive (Head of Paid Service). The Deputy Chief Executive (Deputy Head of Paid Service) became the Interim Chief Executive and Head of Paid Service from 19 July 2022, until a new Chief Executive takes up the role. Delegated authority was given to the Deputy Chief Executive, in consultation with the Leader of the Council and the Chair of Personnel Committee, to appoint an Interim Executive Director of Resources.

An Interim Executive Director of Resources has been appointed to cover the interim arrangements. It is expected that the Chief Executive appointment will be made in September 2022, at which point the interim arrangements will be reviewed to take into account the appointments made and the requirements for further senior management cover in the run-up to the new Chief Executive commencing.

In July 2022, the statutory Director of Children's Services retired. The post is currently covered by the Director of Education who will be Interim Executive Director of Children's Services until a new appointment can be made to that post.

## 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: First, **Reading UK CIC** delivering economic development for the Borough. In July 2022, this company rebranded to REDA (Reading's Economy and Destination Agency). Secondly, **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. A new Chair and non-executive directors were appointed in December 2021.

## DECISION MAKING

The arrangements made in accordance with the Coronavirus Act 2020 and the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020, which allowed the Council and its Committees to be held remotely, ceased to be effective on 7 May 2021.

The Council has reverted to in-person meetings for formal decision-making committees. The council has retained the flexibility of online meetings for informal briefings and meetings where no formal decisions are recorded.

## LOCAL GOVERNMENT ASSOCIATION (LGA) - CORPORATE PEER CHALLENGE

This programme organised by the LGA, also known as “Peer Review” involves peer teams of councillors and officers from other councils spending time within a council to identify and address issues and challenge progress across various themes. These include local priorities and outcomes, organisational and place leadership, governance and culture, financial planning and management and capacity for improvement.

In June 2022, Reading BC invited the LGA to undertake such a Peer Review of how effectively we work as a Council. The reviewers spoke to members of staff, partners and councillors about leadership and culture, place shaping, decision making and much more. A formal report has been received by the Council and will be published together with the Council’s action plan later this autumn.

## CORPORATE PRIORITIES

In March 2022, the Council adopted a new [Corporate Plan](#), “Investing in Reading’s Future: Reading Borough Council’s Corporate Plan 2022-25” The Council had adopted a one-year plan in March 2021, due to the level of uncertainty associated with the ongoing Covid-19 pandemic. In contrast, the new Corporate Plan sets out the three-year plan for the period 2022-25, to take forward and build on the themes and priorities set out in last year’s Plan.

The [Corporate Plan](#) and its [Appendix](#) of Key Measures are both available on the Council’s website. .

The Plan describes the major achievements and progress made over the last year and sets out the Council’s priorities and future work programme to deliver against the three themes of: Healthy Environment, Thriving Communities and Inclusive Economy, which are underpinned by the foundational activity of an efficient and effective organisation.

The progress made against the measures will continue to be reported to councillors and published in the Quarterly Performance Report to [Policy Committee](#). This will ensure focus is maintained on the Council’s vision: ‘to ensure that Reading realises its potential - and to ensure that everyone who lives and works here can share the benefits of its success’.

## TEAM READING

In March 2022, the Council undertook a staff survey which gathered responses from 49% the Council’s workforce, 824 responses. Whilst the number of respondents is down on the 2021 figures (58%) the responses remain 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% agreed that they make a valuable contribution to the success of the Council by doing their job. 92% agreed that they knew what the four organisational values of Team Reading are. 92% agreed that their line manager supports them to work flexibly (location/times) where possible, in line with the needs of customers and service delivery. 91% agreed that their line manager is approachable and supportive and 90% agreed that their manager demonstrated the Team Reading values.

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.

## FINANCE

A new [Medium-Term Financial Strategy](#) was approved by Council in February 2022 to cover the three years 2022/23 - 2024/25. Councillors received updates throughout 2021/22 to advise on the continuing financial effects of the pandemic to council services and finances. Income was still noted to be affected as some Council services struggled to return to levels of activity and income generation at pre-March 2020 levels.

The purpose of the Medium-Term Financial Strategy is to deliver a balanced and affordable 2022/23 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 three-four 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.

## 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 was concluded in September 2021. The audit on 2019/20 is almost concluded and work is ongoing to finalise and audit the 2020/21 and the 2021/22 accounts.

## DEMOCRACY

Effective planning for the local government elections throughout 2021/2022 saw delivery of Covid secure elections in May 2021 (postponed local elections and Police and Crime Commissioner Elections) and local elections in May 2022. Significant changes were made at Polling Stations and the Count Venue to ensure that electors and polling staff were safe.

In May 2022, as a result of the [Electoral Review](#) undertaken by the Local Government Boundary Commission for England, Reading had "all-out" elections for the election of 48 councillors to 16 wards. These elections proceeded successfully. The Council reverts to "elections by thirds" in 2023.

## RESIDENT SATISFACTION

In September 2021, the Council commissioned a representative sample of 1,057 residents. The purpose of the survey was to gauge levels of satisfaction with the local area, the Council and the services it provides.

Over 80 per cent of residents who took part in the survey were satisfied with their local area as a place to live and 76 per cent felt very or fairly strongly that they belong to their immediate neighbourhood. The headline results show:

- 66% of respondents were satisfied with the way Reading Borough Council runs things overall.
- 62% felt Reading Borough Council acts on the concerns of local residents a great deal or a fair amount.
- 69% outlined Reading Borough Council keeps them very or fairly well informed about the services and benefits it provides.

The Residents' Survey was discussed at the February 2022 Policy Committee meeting. The report can be found at [Appendix 12](#) of the Budget Report.

A further Survey has been commissioned for 2022 and a report is expected this autumn.

## ARRANGEMENTS FOR GOVERNANCE

The Council's governance arrangements are designed to secure compliance with the principles set out in the "CIPFA<sup>1</sup>/SOLACE<sup>2</sup> Framework for *"Delivering Good Governance in Local Authorities"*<sup>3</sup> (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:

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<sup>1</sup> Chartered Institute of Public Finance and Accountancy

<sup>2</sup> Society of Local Authority Chief Executives.

<sup>3</sup> Also referred to as "the Framework", see CIPFA website [www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition](http://www.cipfa.org/policy-andguidance/publications/d/delivering-good-governance-in-local-government-framework-2016edition)

## 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.

## 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. Public questions are allowed at Committees and at Council meetings.

### 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 achieved 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 2021/2022.

### REVIEW OF EFFECTIVENESS

#### Internal Audit

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 16 audits and 9 grant certifications. A further 3 audits had fieldwork completed at 31 March 2022, but with reports to be finalised. 100 audit recommendations have been made, of which 18 (18%) 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 'reasonable' assurance can now be placed on the adequacy and effectiveness of the Council's internal control framework within those areas audited in 2021/2022, largely because of improvements in key financial systems. The [full report can be viewed here](#).

### GOVERNANCE SELF-ASSESSMENT

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:

- Complete further work in relation to the revised articles 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 the 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
- Regular reporting from Reading Hampshire Property Partnership to ensure continued value for money from the Partnership
- Seeking a review of Homes for Reading in the coming year
- Completing a formal review of governance of the Reading Climate Change Partnership, for which the Council acts as accountable body
- Conducting a light touch governance review in the Culture Service February 2022, including all steering groups, boards, major capital projects and working groups with external organisations where grant funding is involved.
- Reviewing governance mechanisms in place around Local Authority New Build programme and tightening some elements
- Ongoing LGA scrutiny in relation to the Adult Care & Health Services Directorate savings and budgets
- Inspections by the Care Quality Commission in our regulated services. No reports were received in 2021/21

Other governance outcomes are shown below:

Issues Identified	Performance in 2021/2022
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received seven complaints about member conduct in 2021/2022. Six were dismissed at the filter stage, and one was investigated under group procedures but the councillor stood down before the matter was resolved and the complaint lapsed.
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 ten 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.

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.

In March 2022, an OFSTED Focussed Visit provided feedback about the Council's progress in arrangements for children in need, and children subject to a child protection plan.

The [Focused Visit](#) found that whilst Reading was judged as requires improvement to be good at the ILACS inspection in September 2019, improvement activity since then has not resulted in sufficient improvement. Shortfalls in many aspects of work relevant to the progress of children in need and children subject to child protection plans were identified by the 2019 inspection. Whilst progress has been made in discrete areas of practice, OFSTED found the pace of change needed to accelerate to ensure that all children's circumstances improve.

The Company is working on an action plan to address the issues raised in the Focussed Visit report.

## 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 review of the Council's Constitution
- Implement Information Governance Strategy Action Plan
- Seeking Cyber Essentials Plus certification
- Complete Phase One and Deliver phase two of the Finance Transformation Plan
- Catch up on completion/sign off of Statutory Accounts
- Introduction of new Manager Induction training
- Work to continue to address issues identified in the MOSAIC Payments Audit including a review of the Scheme of Delegation for Adult Social care
- Directorate of Adult Care & Health Services (DACHS) Transformation programme to continue with oversight of the delivery of savings and efficiencies

- DACHs Commissioning Board to ensure delivery of work to guarantee spot contracts are in place for all provision not covered by block contracts. Contract monitoring to be embedded across market areas to ensure consistency of approach.

## 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

..... Jackie Yates, Interim, Chief Executive