

ANNUAL GOVERNANCE STATEMENT 2022/2023

INTRODUCTION

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016) requires local authorities to publish an Annual Governance Statement, and to be responsible for ensuring that:

- Their business is conducted in accordance all relevant laws and regulations
- Public money is safeguarded and properly accounted for
- Resources are used economically, efficiently, and effectively to deliver agreed priorities and benefit local people.

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 Council's Audit and Governance Committee reviews governance arrangements, risk registers and quarterly performance reports. Their role is to recommend improvements or interventions if expected performance is not being achieved, or if gaps in current governance arrangements have been identified.

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.

KEY ELEMENTS OF THE COUNCIL'S GOVERNANCE FRAMEWORK

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 can undertake scrutiny of relevant functions where they think it appropriate.

Key elements of the governance framework at Reading Borough Council are:

Decision Making

- All meetings are held in public and are now webcast and available to watch after the event

- Decisions are recorded on the Council website
- All Council decisions are supported by detailed officer reports which are open to the public unless they qualify as legally “exempt” from publication

Risk Management

- Risk registers identify operational and strategic risks
- Key risks are considered by Directorate Management Teams
- Strategic risks are reported to the Audit & Governance Committee quarterly and overseen by Corporate Management Team

Corporate Management Team (CMT)

CMT are responsible for the overall management of the Council

- Head of Paid Service is the Chief Executive who is responsible for all Council staff and for leading CMT
- The Executive Directors lead the majority of services which are delivered to the public
- Director of Finance is the Council’s s.151 Officer and is responsible for safeguarding the Council’s financial position and ensuring value for money
- Monitoring Officer is the Council’s Assistant Director of Legal & Democratic Services who with the Chief Executive is responsible for ensuring legality and promoting high standards of public conduct

HOW WE COMPLY WITH THE CIPFA/SOLACE FRAMEWORK

The Council has arrangements in place to meet all relevant requirements of the CIPFA/Solace Framework. The 7 “core principles” underpinning the Framework are set out below together with a summary of new or enhanced arrangements introduced in 2022/23.

Principle 1 Behaving with integrity and respecting the rule of law: Codes of Conduct for members and officers reinforce a public service ethos and high standards of behaviour. These are supported by more detailed guidance such as, Anti-Fraud, Bribery and Corruption Strategies, as well as Whistleblowing Procedures and a Procurement Code. The Monitoring Officer and Section 151 Officer both have specific responsibilities to ensure that Council decisions meet legal requirements.

Principle 2 Ensuring open and comprehensive stakeholder engagement: 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. The Council publishes a twice-yearly residents newsletter and utilises online communication channels such as e-bulletins, Twitter, Facebook, and YouTube.

Principle 3 Defining outcomes in terms of sustainable economic, social and environmental benefits: The Corporate Plan sets out the Council’s strategic vision, which is for Reading to realise its potential and to ensure that everyone who lives and works here can share the benefits of its success. The Corporate Plan sets out programmes of work under three pillars healthy environment, thriving communities and inclusive economy. 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.

Principle 4 Determining the intervention necessary to achieve 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. CMT and Members (via Policy Committee), ensure the Council remains focused on achieving its agreed objectives and priorities. Regular reporting also goes to specific performance related meetings of the Corporate Management Team. This provides an update on how the Council is progressing against its strategic indicators and outcomes.

Principle 5 Developing capacity, including the capability of leadership and individuals within the Council: Maximising capacity by working collaboratively is a key component of the Corporate Plan and several 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.

Principle 6 Managing risks and performance through strong internal control and financial management: Corporate risk registers are updated quarterly, with significant risks reviewed by senior management and members. Risk Management Training had been delivered to councillors providing guidance on how to review and challenge reports when received as part of promoting good governance. Internal Audit assess the overall quality of internal control and make recommendations for improvement as necessary. The Council has a strong track record in financial management, delivering services within budget and producing annual accounts within statutory deadlines.

Principle 7 Implementing good practices in transparency, reporting and audit to deliver effective accountability: The Council follows Government guidance on providing clear and accurate information and has developed both its website and the format of Council reports to improve transparency and accessibility. Papers (including performance reports) and minutes of meetings, key decisions, and all items of expenditure and contracts awarded over £500 are published on the Council's website. 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.

CMT is responsible for putting in place adequate governance arrangements and effective systems of internal control. The Council uses several ways to review and assess the effectiveness of governance arrangements, as set out below:

Inspections and Assessments

External Assessments during 2022/2023

In January 2023, Cressingham children's home, which provides short breaks for children and young people with additional needs, was given an 'Outstanding' rating following a full Ofsted inspection in October 2022. Staff and management were praised for providing highly effective services that contribute to significantly improved outcomes for children and young people who need help, protection and care.

In January 2023 Ofsted inspected the voluntary adoption agency service provided by Brighter Futures for Children Ltd. This Service was rated overall as Good, taking into account how well children, young people and adults are helped and protected (Good) and the effectiveness of leaders and managers (Outstanding). The report noted, "Feedback from adopters and professionals was overwhelmingly positive. This included praise for the work of the staff, who were described as being 'professional, caring and supportive'".

In March 2023, Pinecroft children's home, which provides shared-care support for children and young people with additional needs, was rated 'Outstanding' following a full Ofsted inspection in

January 2023. The inspector said staff offer highly personalised and well-planned care that meets children’s individual needs exceptionally well.

Assurances from Internal and External Audit

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 annual report and opinion of the Head of Internal Audit for 2022/23 states that the Council’s internal control environment and systems of internal control in the areas audited were reasonable except for the following areas:

Issues Identified for 2022/2023	Planned action
Further improvements required in respect of Adult Social Care finances	Three areas ¹ have been reviewed in the last year, where recommendations have been made to improve controls in respect of Adult Social Care. All of these areas will be subject to follow up.
Improvements required within the Council’s processes for managing Cyber Security.	Action plan of improvements now agreed. Appropriate actions have been taken or will be taken to address weaknesses
Improvements required in respect of Housing Repairs processes.	14 audit recommendations have been made in this area formulating and action plan for improvement

The Council’s external auditor (EY) provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The 2019/20 Statement of Accounts has been formally signed off by EY. This took place on 26 May 2023 with the Council receiving an unqualified opinion on the financial statements for the first time since 2015/16. This means our improvements in external financial reporting have been formally recognised by our external auditors. We are currently in the middle of the 2020/21 audit process, whilst also preparing 2021/22 draft financial statements ready for public inspection. KMPG became the Council’s external auditor from the 1 April 2023.

Self-assessment and review of key performance indicators

Assistant Directors and Executive Directors have completed Annual Assurance Statements in respect of governance and internal control arrangements for their respective areas. The Chief Auditor works with Directorate Management Teams to confirm that expected governance arrangements have been in place throughout the year. Assistant Directors and Executive Directors also confirm that Codes of Conduct, Financial Regulations, and other corporate processes have operated as expected by undertaking self-assessments of governance arrangements.

In addition, the Chief Executive has implemented a Statutory Officers Group to monitor governance issues on a monthly basis with the Executive Director of Resources, Chief Finance Officer and Monitoring Officer.

The Council uses several key outcomes to confirm the adequacy of governance arrangements. These KPIs are outlined in the table below:

¹ Direct Payments, Deputy & Appointeeship and Deferred Payments

Issues Identified	Performance in 2022/2023
Formal reports by Chief Finance Officer or Monitoring Officer	None issued
Outcomes from Standards Committee or Monitoring Officer Investigations	The monitoring officer received six complaints about member conduct in 2022/2023. None of them proceeded beyond Stage 0 of the complaints procedure.
Proven frauds carried out by councillors or members of staff	None in 2022/2023
Objections received from local electors	None in 2022/2023
Local Government and Social care Ombudsman referrals upheld	16 of 22 complaints investigated were upheld (data 1 April 2022 to 31 March 2023).
Information Commissioner referrals upheld	Two cases investigated by the ICO but neither upheld.
Internal audit reports	Three high risk areas identified as shown in the preceding table above
Annual Accounts	2019/2020 signed off – no longer qualified
Group activities*	No governance issues to address in 2022/23. 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

* Note: The Council operates several 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.

Financial Transformation Programme

The first stage of the Financial Transformation Programme has concluded, addressing several key audit concerns, such as separation of duties between the setting up of providers and the paying of invoices, bank reconciliation, budget and performance monitoring. The critical project activity over the next few months will now be the implementation of the new financial system and the successful and timely migration of all financial data

The new finance system (e5) had a planned go-live date of 1st April 2023; however, this date has been extended and at the time of writing, the system project is ongoing, including the mapping of the new chart of accounts and the extensive testing required (including User Acceptance Testing) prior to go-live which is anticipated will be during autumn 2023.

The new finance system will be at the cornerstone of organising, planning, and controlling financial activities to manage resources efficiently and it is imperative that business processes work with the new Finance System, otherwise efficiencies and improvements will not be achieved.

Financial Management Code

The 2022/23 self-assessment against the Chartered Institute of Public Finance & Accountancy (CIPFA) Financial Management (FM) Code identified significant progress against three key areas:

- The Chief Auditor's annual assurance report had improved from Limited Assurance to Reasonable Assurance.
- The positive findings of the Corporate Peer Challenge, organised by the Local Government Association (LGA), that had taken place in June 2022; and
- The Medium-Term Financial Strategy (MTFS), which had been approved by Council in February 2023, delivered a balanced budget in 2023/24 without the need to draw on reserves and set out a provisionally balanced budget for 2024/25.

As a result of these improvements, the self-assessment identified that two standards (standards C and E) had improved from a previous rating of 'Amber' to 'Green'. All other standards remained as per the 2021/22 assessment. A proposed action plan, setting out the required actions to improve those standards rated 'Amber' to 'Green' was reported to the Council's Audit and Governance Committee in April 2023.

Local Government Association (LGA) Peer Review

In June 2022, Reading BC invited the LGA to undertake 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.

In addition to other subject areas, the peer review focused on governance, and culture and financial planning. The key assurances taken from the LGA report, were that the council's model of governance is well-established, seems to work for the council and is valued and supported, recognising the work in place to review the Constitution and the Delegations Register. Their report recognised the council's financial position and financial management arrangements have recovered and strengthened significantly in recent years, but the financial base, whilst sound, remains vulnerable.

An action plan addressing the feedback from the LGA Team was published in October 2022 and is available on the Council's website.

CHANGES TO THE GOVERNANCE FRAMEWORK

There have been a number of key changes in senior management during the last year.

- Peter Sloman (former Chief Executive) retired in July 2022.
- Deputy Chief Executive Jackie Yates acted as Chief Executive and was appointed to the substantive post of Chief Executive in October 2022 following a competitive recruitment process.
- Deborah Glassbrook retired as Executive Director of Children's Services in July 2022.
- Lara Patel was appointed as Executive Director of Children's Services in November 2022.
- Seona Douglas retired as Executive Director of Adult Social Care and Health Services in December 2022. Deputy Director Melissa Wise acted as Interim Executive Director until July 2023 when she was confirmed as the new Executive Director for Communities and Adult Social Care. The new Directorate now incorporates Housing and Community Services following a focussed restructure of the Service to align it more closely with Public Health outcomes and Housing needs.

- Tracy Daszkiewicz, Director of Public Health for Berkshire West left the Council in March 2023. Her post is currently filled on an interim basis by John Ashton while the three councils in Berkshire West confirm their future plans for Public Health.
- Frances Martin, Executive Director for Economic Growth and Neighbourhood Services (DEGNS) left the Council in May 2023 to take up a new post at Westminster City Council. Following a competitive recruitment process, Keith Townsend will take up this post in September 2023.

KEY GOVERNANCE ISSUES

Last year's Annual Governance Report highlighted ten key areas for improvement. The table below sets out action taken to address these issues during 2022/23:

	Issues Identified	Performance in 2022/2023
1	Complete the review of the Council's Constitution	Completed in October 2022.
2	Embed the new Information Management Strategy and monitor it through the Information Governance Board	Data Stewards have been nominated by Key Service areas and the Information Governance Champions Network is up and running.
3	Seeking Cyber Essentials Plus certification	Work continues on this and progress on security aspects has been reviewed by Internal Audit.
4	Complete Phase One and Deliver phase two of the Finance Transformation Plan	Phase one of the Finance Improvement Programme has been delivered to ensure the Council's financial processes and procedures are robust
5	Seeking a review of Homes for Reading in the coming year	A review has been completed and the Council is now considering how best to respond to the advice received.
6	Catch up on completion/sign off Statutory Accounts	The 2019/20 Statement of Accounts has been formally signed off by EY. 2020/21 audit process has commenced, and the 2021/22 draft financial statements are being prepared for public inspection
7	Introduction of new Manager Induction training	Delayed due the change in Assistant Director of HR and OD.
8	Work to continue to address issues identified in the MOSAIC Payments Audit including a review of the Scheme of Delegation for Adult Social care	Actions are being completed in line with expected timescales in respect of internal audits for the MOSAIC Payments Controls and Adult Provider Payments. All Audit actions are tracked via DMT to ensure delivery. the current Scheme of Delegation has been reviewed and as this is implemented appropriate reporting checks and balances will be put in place to ensure it is being adhered to correctly. This will complement the action plan in place to respond to the MOSAIC Payments Audit.
9	Directorate of Adult Care & Health Services (DACHS) Transformation programme to continue with oversight of the delivery of savings and efficiencies	The DACHS Transformation Programme has consistently delivered savings and is set to achieve the target of £1.735m in 2022/23. However due to the impact of increased demand and the complexity of service users presenting to the Council DACHS are still operating with an overspend. This overspend has been reduced in year however will remain into 2023/2024.

10 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.	Work is ongoing to ensure up to date spot contracts are in place for external provision not covered by block contracts in conjunction with legal. However solid progress has been made on this during 22/23 with Day Services contracts put in place. Contract monitoring is being embedded across market areas to ensure consistency.
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The Council's Internal Audit service has worked with the Council to ensure that appropriate systems of governance and internal controls have been maintained. A follow up audit review benchmarking the council's compliance with the Local Government Transparency Code 2015 noted that good progress had been made, and the two outstanding matters have now been completed.

Likewise, a follow-up review, of Freedom of Information (FOI) compliance earlier in the year reported that processes are now more automated; guidance has been published and performance monitoring has improved. Notwithstanding these measures, performance across the council remains disappointingly low. The council aspires to meet the 90% response rate expected by the Information Commissioner and this has been included as a Corporate Plan KPI.

The Assistant Director of Legal and Democratic Services has provided quarterly update reports throughout the year on the actions in progress to improve the Council's policies, systems and processes around Information Governance.

CONCLUSION

The Council is satisfied that appropriate governance arrangements are in place however it remains committed to maintaining and where possible improving these arrangements. The following items are noted for improvement in 2023/24:

- Implementing new Contract Procedure Rules and supporting the Council's Hub and Spoke model for Procurement
- Roll out of new systems in Housing Management and Customer Services and Casework
- Addressing issues identified by Internal Audit as requiring improvement in a timely way
- Ensure further performance improvements on Information Rights are embedded
- Review of governance arrangements for companies wholly owned by RBC being undertaken to check and, where necessary, strengthen governance arrangements.
- Corporate cyber resilience exercise will take place in 2023/24 to review and strengthen governance in this area.
- The impact of the constitution review is being monitored and any further changes will be made in 2023/24. These changes are now being aligned with a review of Finance Regulations and Contract Procedure Rules.
- A new Adult Social Care Strategy is being developed in response to the Striving For Excellence Assurance Work.
- Budget holders to be trained on the e5 system and rollout
- Review the new Decision Hub to ensure delegations and spend limits are understood
- All staff to complete mandatory e-learning training including health and safety, information governance, cyber security, Prevent and Safeguarding.
- Robust monitoring by managers of sickness absence required with action to address variance from norm (E&CS)
- Remind staff of whistle-blowing procedures
- Update all risk assessments to ensure they have been reviewed in the last 12 months
- Complete the L3 H&S audit

- Ensure all employees have completed their L1 H&S induction training
- Ensure all managers and supervisors have completed H&S L2 training

Signed on behalf of Reading Borough Council by:

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

..... Jackie Yates, Chief Executive

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