

ANNUAL GOVERNANCE STATEMENT 2020-21

Committee considering report:	Governance and Ethics Committee on 26 July 2021
Portfolio Member:	Councillor Howard Woollaston
Date Portfolio Member agreed report:	1 July 2021
Report Author:	Joseph Holmes
Forward Plan Ref:	GE4031

1 Purpose of the Report

- 1.1 The report sets out the Annual Governance Statement (AGS) for the Council for 2020-21 for approval. The AGS summarises the key governance issues for the Council and the action plan to address these. The AGS is required to be approved by those charged with governance, the Governance and Ethics Committee at West Berkshire, under the Accounts and Audit Regulations 2015.
- 1.2 The AGS will form part of the Council's financial statements and will be considered by the Council's external auditors, Grant Thornton.

2 Recommendation

- 2.1 For the Governance and Ethics Committee to approve the AGS.

3 Implications and Impact Assessment

Implication	Commentary
Financial:	None directly
Human Resource:	None directly
Legal:	This report is a requirement that it must be considered by the Governance & Ethics Committee under the accounts and audit regulations 2015.

Risk Management:	See the main report detailing the action plan to mitigate overall risks raised in the AGS			
Property:	None directly			
Policy:	None directly			
	Positive	Neutral	Negative	Commentary
Equalities Impact:				
A Are there any aspects of the proposed decision, including how it is delivered or accessed, that could impact on inequality?		X		
B Will the proposed decision have an impact upon the lives of people with protected characteristics, including employees and service users?		x		
Environmental Impact:		X		
Health Impact:		X		
ICT Impact:		X		
Digital Services Impact:		X		
Council Strategy Priorities:		X		The AGS supports the Council Strategy through focussing on areas to help improve its delivery

Core Business:	X			The AGS focusses on areas that can improve core business
Data Impact:		X		
Consultation and Engagement:	The Council's Finance and Governance Group, Corporate Board and the portfolio holder			

4 Executive Summary

- 4.1 The Annual Governance Statement (AGS) is a core document that sets out the Council's governance arrangements and a review of their effectiveness. The AGS must be reviewed and approved by the Governance & Ethics Committee annually and is published with the financial statements.
- 4.2 The review for 2020-21 has highlighted three key areas to include in the AGS with an accompanying action plan.
- Capacity to deliver projects
 - Improving Asset Management
 - Digital Transformation
- 4.3 There has been an impact on the Council's activities during the year due to Covid-19. This has impacted on the governance of the Council with a major incident declared for much of the financial year and a range of new governance structures put in place both internally and externally.

5 Supporting Information

Introduction

- 5.2 This report outlines the purpose of the Annual Governance Statement (AGS) and explains how the necessary assurance to support the AGS has been obtained. This should enable the Committee to make an informed judgement as to the effectiveness of the process that the Council has followed in conducting the annual review of the system of internal control within the Council.

Background

- 5.3 The AGS is designed to provide stakeholders of the Council with assurance that the Council has operated within the law and that the Council has met the requirements of the Accounts and Audit Regulations:

"The Council shall conduct a review at least once in a year of the effectiveness of its system of internal control".

- 5.4 A copy of the AGS for 2020-21 is attached to this report, for review, at Appendix A.
- 5.5 The Council relies on a number of sources of information to carry out the review of the system of internal control and effectiveness. These include:
- Service risk registers
 - The Audit Manager's annual report
 - Reports from external regulators, e.g. OFSTED, Grant Thornton (the Council's External Auditor), the LGA (peer review process).
- 5.6 This evidence provides the assurance that enables the Leader and Chief Executive to sign the AGS with confidence.
- 5.7 The Chief Executive reviewed the governance arrangements in 2019/20 to ensure that these align with the new Council Strategy.
- 5.8 A key element of the review of the system of internal control is the identification of any weaknesses or risks in the system, along with recommendations to mitigate such issues. Then in the subsequent year further report is made on progress with implementing agreed recommendations.
- 5.9 The Annual Governance Statement for 2019-20 outlined the following issues of focus, and the below includes some commentary on progress against these in the 2020-21 financial year:
- Delivering effective engagement – the Council has approved a communication and engagement strategy with a wide range of actions. Many of these actions have been implemented and work commenced as well as there being additional investment in staffing resources and the ambition to build on lessons learned through the Covid-19 pandemic have shown a major enhancement in this area of activity.
 - Capacity to deliver projects – progress has been made in this area. The new governance structure for 2020 has enabled greater reporting of information to project boards supported by project documentation and reporting through to Corporate Programme Board and beyond. However, this area does remain one of significant focus for the Council so is proposed to remain on the AGS for 2021-22, especially as Covid-19 has meant delays and alterations to projects and the training that was being rolled out.
 - Improving asset management – this was subject to a follow up audit review that remained weak with some actions still not completed. Recent activity has addressed a number of these actions and it is expected that by Q2 of 2021-22 the actions will have been completed. These action have not been completed yet, so this will remain on the AGS into 2021-22.
 - Commercial investment – the commercial property investment work has been ceased following Full Council in March 2021, but was in effect paused for period of this AGS with no purchases made in over 18 months. This issue has been removed from the AGS

Proposals

5.10 In light of the issues raised during the year and after a review of effectiveness, the following **three** areas are the focus for 2021/22:

- **Capacity to deliver projects** - ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of key projects, for example the Environment Strategy, while maintaining frontline services to residents and businesses. **Core to delivering the refreshed Council Strategy.**
- **Improving Asset Management** - ensuring that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets. **Recommendation from Internal Audit and from previous AGS**
- **Digital Transformation** – ensuring that the Digital strategy has a complete delivery plan that supports the digital enhancements that the Council wishes to make in light of ways of working established through the Covid pandemic as well as to drive service improvements and efficiencies. **Core to delivering the refreshed Council Strategy.**

6 Other options considered

None. The production of the AGS is a requirement to be completed annually and the Council must comply with its production.

7 Conclusion

7.1 A key function of the Governance and Ethics Committee is to review and approve the AGS for 2019-20 prior to it being signed off by the Chief Executive and Leader of the Council, and review the conclusion reached.

7.2 In order to be able to review the AGS the Committee needs to examine the evidence, highlighted in the AGS and Code of Local Governance.

8 Appendices

Appendix A – Annual Governance Statement

Appendix B – Action Plan

Background Papers:

Code of Local Governance – 19th April Governance & Ethics Committee

Subject to Call-In:

Yes: No:

- The item is due to be referred to Council for final approval
- Delays in implementation could have serious financial implications for the Council
- Delays in implementation could compromise the Council's position
- Considered or reviewed by Overview and Scrutiny Management Committee or associated Task Groups within preceding six months
- Item is Urgent Key Decision
- Report is to note only

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2			

Appendix A – Annual Governance Statement

1. Scope of Responsibility

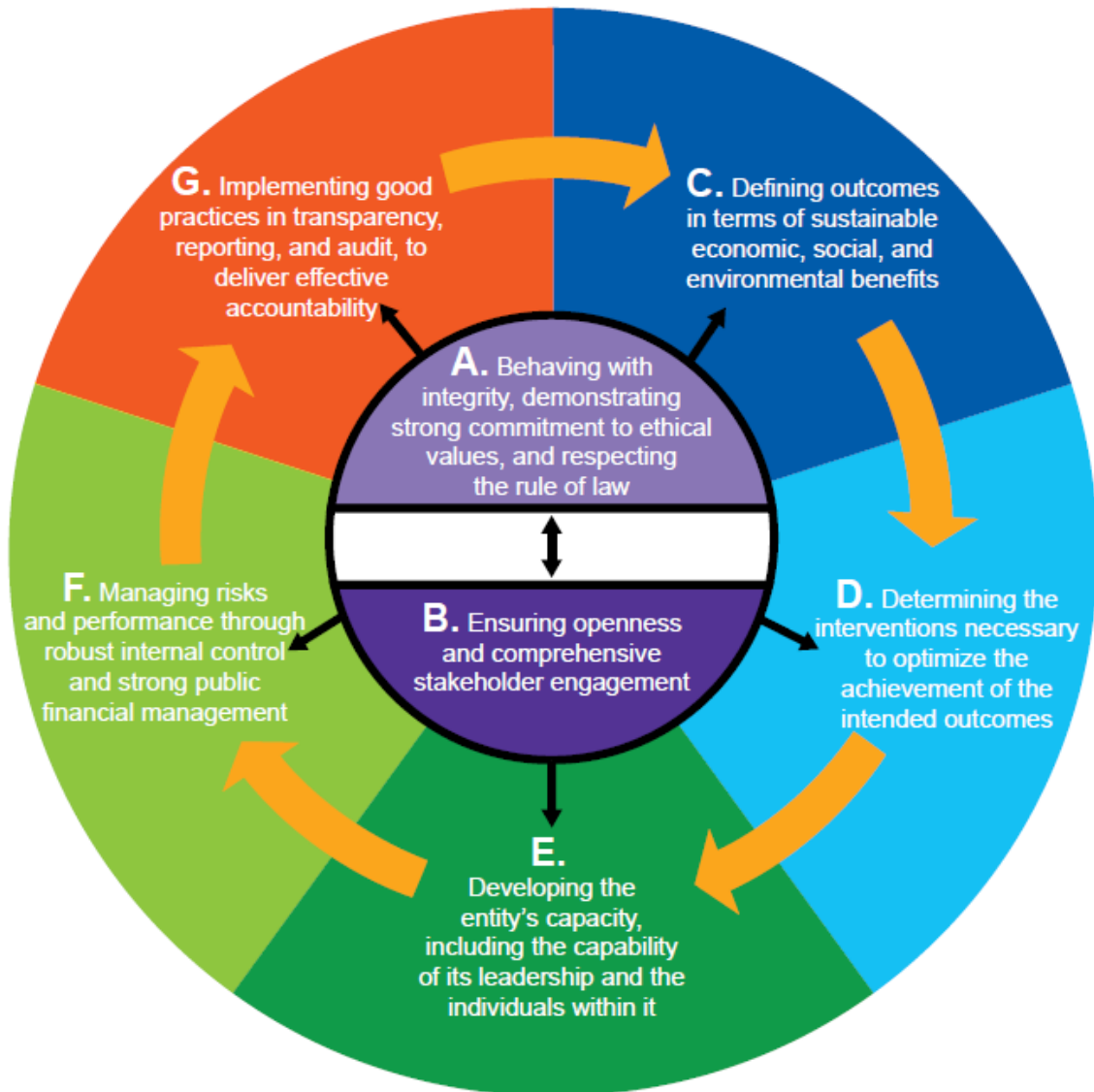
- 1.1 West Berkshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. West Berkshire Council also has a duty under the Local 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.
- 1.2 In discharging this overall responsibility, West Berkshire Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 This Statement explains how West Berkshire Council has complied with the Code and also meets the requirements of regulation 6(1)(a) of the Accounts and Audit Regulations 2015 in relation to the review of its system of internal control in accordance with best practice, and that the review be reported in an Annual Governance Statement.
- 1.4 The Council has currently undertaking a comprehensive review of its Constitution to improve its governance and decision making. The Council is also delivering an action plan following a corporate peer challenge led by the Local Government Association November 2019.

2. The Purpose of the Governance Framework

- 2.1 The purpose of the governance framework is to ensure that the authority directs and controls its activities in a way that meets standards of good governance and is accountable to the community. It does this by putting in place an organisational culture and values which drive a responsible approach to the management of public resources, supported by appropriate systems and processes, and ensuring that these work effectively. It works with the Council's Performance Management Framework to ensure that the Council has in place strategic objectives reflecting the needs of the community and is monitoring the achievement of these objectives through delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of West Berkshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at West Berkshire Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts. The Governance and Ethics Committee approved a Code of Local Governance at its meeting in April 2021 which supports the framework for the compilation of the Annual Governance Statement.

3. The Principles of Good Governance

3.1 The CIPFA/SOLACE framework Delivering Good Governance in Local Government sets out seven core principles of good governance, these are:



4. Methodology for preparing the Annual Governance Statement

4.1 The Annual Governance Statement has been prepared using a process similar to that used in previous year, where it is including;

- Review of the annual Internal Audit report and quarterly internal audit progress reports.
- The work of the Finance and Governance Group reviewing the Constitution on annual basis and referring changes to the Governance and Ethics Committee and Council
- The Audit and Governance Committee approves the Annual Governance Statement at the same time as the final approval of the financial statements and is signed off by the Chief Executive or Section 151 officer and Leader of the Council.
- Review of the Corporate risk Register by the Corporate Board and Governance & Ethics Committee

- Responding positively to external regulators such as OFSTED, the Information Commissioner, the Local Government Ombudsman and external auditor Grant Thornton.

5. The Governance Framework

5.1 There are a number of key elements to the systems and processes that comprise the Council's governance arrangements. These elements form our local code of Governance and these are underpinned by the CIPFA / SOLACE framework above and core principles of good governance which are:-

- Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area.
- Members and Officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managed risk.
- Developing the capacity and capability of Members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability

5.2 The Council has arrangements for managing risk in its Risk Management Strategy which was approved at the Governance and Ethics Committee in April 2021.

6. Review of effectiveness

6.1 The authority has a statutory responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Heads of Service / Service Directors who have responsibility for the development and maintenance of a sound governance environment.

6.2 This review is articulated in the Code of Corporate Governance approved by the Governance and Ethics Committee in April 2021.

6.3 It is also important to reflect on the previous year's key areas for improvement and well as a review of governance for the year past. The Covid pandemic put a lot of pressure on the Council's governance structures. For much of the year the Council was operating through an emergency planning framework with 'GOLD' meetings taking place weekly. Though specifically in respect of the Covid response, the GOLD meetings did change the usual governance framework and meant that a lot of the Council's focus was on the Covid pandemic and supporting residents and businesses. The Council did continue to

operate its usual governance processes and these were moved online with Council meetings taking place virtually throughout 2020-21 alongside all Council business through its various governance boards and groups. This meant that the Council was still able to undertake its core functions as well as operate in response to the Covid pandemic.

6.4 For 2020-21 the AGS had four areas for improvement; two of these, project capacity and asset management have been continued through into 2021-22, and two have been removed from the AGS. These two areas were:

- Delivering effective engagement
- Commercial investment

6.5 In 2020-21 the Executive approved a new communication and engagement strategy¹. This set out enhancements to be made and also reflected on the positive work completed during the pandemic. Though not all actions are complete, this has been removed from the AGS as progress has been demonstrated and it ceases to remain a key issue for improvement.

6.6 The commercial investment theme has been removed as the Council, per the decision at the Budget meeting in March 2021, has ceased new acquisitions of commercial property. The governance around the monitoring of these investment is robust. The issue did include transformation and future commercial opportunities; this will be kept under close consideration during 2021-22 because, though the Government has ruled out access to the Public Works Loans Board to borrow primarily for yield, the Council will be seeking to transform its services continually and there will be a range of projects to support this.

7. Key Governance areas for improvement

7.1 The Council faces a number of issues and areas of significant change that will require consideration and action as appropriate over the coming years and these are:

Issue	Detail	Action	Owner / Date
Capacity to deliver projects	ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses. Core to delivering the refreshed Council Strategy	Additional resources and effective management of the project governance structure following the S&G restructure	Strategic Director (S&G) – March 2022

¹ <http://decisionmaking.westberks.gov.uk/ieDecisionDetails.aspx?AllId=59870>

Issue	Detail	Action	Owner / Date
Improving Asset Management	ensuring that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets. Recommendation from Internal Audit and from previous AGS	Completion of outstanding audit actions to be finalised in line with the Internal Audit report.	Head of Finance (Oct. 2021)
Digital Transformation	ensuring that the Digital strategy has a complete delivery plan that supports the digital enhancements that the Council wishes to make in light of ways of working established through the Covid pandemic as well as to drive service improvements and efficiencies.	Customer First Programme Board to approve and manage the Digital delivery plan	CFPB (Chairman) – March 2022

8. **Assurance Summary**

- 8.1 Good governance is about operating properly. It is the means by which the Council shows that it is taking decision for the good of its residents, in fair, equitable and open way. It also requires standards of behaviour that support good decision making – collective and individual integrity, openness and honesty. It is the foundation for the effective delivery of good quality services that meet the needs of the users. It is fundamental to demonstrating that public money is well spent. Without good governance, the Council would find it difficult to operate services successfully.
- 8.2 The Internal Audit Opinion for 2020/21 is that the Council's framework of governance, risk management and management control is 'reasonable' and that audit testing carried out during the year has demonstrated controls to be working in practice. The assessments contained within this document highlight that there are effective arrangements in place to deliver good governance but that four key areas are highlighted to further improve our governance.
- 8.3 We propose, over the coming year, to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation during the year and as part of our next annual review.



Lynne Doherty
Leader of the Council



Nick Carter
Chief Executive

Date: 1st July 2021

Date: 1st July 2021

Appendix B

Action plan – 2020-21

Item	Action	Responsible officer	Progress
Delivering effective engagement - Ensuring effective engagement with stakeholders through which to hear the voice of the resident more	Completion of a new Engagement Strategy and approach.	Chief Executive	Complete
Capacity to deliver projects - Ensuring that the Council has sufficient and appropriately qualified staff to deliver its programme of projects while maintaining frontline services to residents and businesses.	<p>Rollout of training programme on new project methodology across management</p> <p>All new projects to be supported by business case through the project methodology</p> <p>Regular monitoring and management through corporate project governance</p>	<p>Performance, Research & consultation manager</p> <p>Performance, Research & consultation manager</p> <p>Service Director (Strategy & Governance)</p>	<p>Partially complete – paused due to C-19</p> <p>Complete</p> <p>Complete</p>
Improving Asset Management - Ensure that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and	<p>Completion of all outstanding internal audit recommendations</p> <p>Completion of Asset challenge process through all asset types</p>	<p>Head of Finance & property</p> <p>Property services manager</p>	<p>Partially complete – rolled forward</p> <p>Partially complete – rolled forward</p>

Item	Action	Responsible officer	Progress
maintenance of assets.			
Commercial activity	The Council's significant investment in commercial property, transformation programme and pursuing commercialisation opportunities will continue to require effective governance arrangements around any proposed changes	Service Director (Strategy & Governance)	Complete – all activity ceased and existing governance in place

Action plan – 2020-21

Item	Action	Responsible officer	Date for completion
Improving Asset Management - Ensure that the Council maintains a comprehensive, asset register, that supports its decision making process for the enhancement, disposal and maintenance of assets.	Completion of all outstanding internal audit recommendations	Head of Finance & property	September 2021
	Completion of Asset challenge process through all asset types	Property services manager	July 2022