

NOTICE
OF
MEETING

AUDIT AND GOVERNANCE COMMITTEE

will meet on

THURSDAY, 29TH JULY, 2021

At 7.00 pm

At the

COUNCIL CHAMBER - TOWN HALL, MAIDENHEAD AND ALSO ON [RBWM YOUTUBE](#)

TO: MEMBERS OF THE AUDIT AND GOVERNANCE COMMITTEE

COUNCILLORS CHRISTINE BATESON (CHAIRMAN), LYNNE JONES (VICE-CHAIRMAN), JULIAN SHARPE, GURPREET BHANGRA AND SIMON BOND

SUBSTITUTE MEMBERS

COUNCILLORS SIMON WERNER, JOHN BOWDEN, GREG JONES, SHAMSUL SHELMIM AND NEIL KNOWLES

Karen Shepherd – Head of Governance - Issued: 21st July 2021

Members of the Press and Public are welcome to attend Part I of this meeting. The agenda is available on the Council's web site at www.rbwm.gov.uk or contact the Panel Administrator **Mark Beeley** 01628 796345

Recording of Meetings – In line with the council's commitment to transparency the Part I (public) section of the virtual meeting will be streamed live and recorded via Zoom. By participating in the meeting by audio and/or video, you are giving consent to being recorded and acknowledge that the recording will be in the public domain. If you have any questions regarding the council's policy, please speak to Democratic Services or Legal representative at the meeting.

AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
1.	<u>APOLOGIES FOR ABSENCE</u> To receive any apologies for absence.	-
2.	<u>DECLARATIONS OF INTEREST</u> To receive any declarations of interest.	3 - 4
3.	<u>MINUTES</u> To consider the minutes of the meeting held on 17 th May 2021.	5 - 12
4.	<u>STATEMENT OF ACCOUNTS UPDATE 2019/20 *UPDATE - THIS WILL BE A VERBAL REPORT*</u> To receive an update on the 2019/20 accounts.	To Follow
5.	<u>STATEMENT OF ACCOUNTS UPDATE 2020/21</u> To receive an update on the 2020/21 accounts.	To Follow
6.	<u>TREASURY MANAGEMENT OUTTURN REPORT</u> To note and approve the annual Treasury Outturn Report 2020/21.	13 - 24
7.	<u>ANNUAL GOVERNANCE STATEMENT 2020/21</u> To consider the Annual Governance Statement 2020/21.	25 - 52
8.	<u>WORK PROGRAMME</u> To consider the Committee's work programme for the remainder of the municipal year.	53 - 54

MEMBERS' GUIDE TO DECLARING INTERESTS IN MEETINGS

Disclosure at Meetings

If a Member has not disclosed an interest in their Register of Interests, they **must make** the declaration of interest at the beginning of the meeting, or as soon as they are aware that they have a DPI or Prejudicial Interest. If a Member has already disclosed the interest in their Register of Interests they are still required to disclose this in the meeting if it relates to the matter being discussed.

A member with a DPI or Prejudicial Interest **may make representations at the start of the item but must not take part in the discussion or vote at a meeting.** The speaking time allocated for Members to make representations is at the discretion of the Chairman of the meeting. In order to avoid any accusations of taking part in the discussion or vote, after speaking, Members should move away from the panel table to a public area or, if they wish, leave the room. If the interest declared has not been entered on to a Members' Register of Interests, they must notify the Monitoring Officer in writing within the next 28 days following the meeting.

Disclosable Pecuniary Interests (DPIs) (relating to the Member or their partner) include:

- Any employment, office, trade, profession or vocation carried on for profit or gain.
- Any payment or provision of any other financial benefit made in respect of any expenses occurred in carrying out member duties or election expenses.
- Any contract under which goods and services are to be provided/works to be executed which has not been fully discharged.
- Any beneficial interest in land within the area of the relevant authority.
- Any licence to occupy land in the area of the relevant authority for a month or longer.
- Any tenancy where the landlord is the relevant authority, and the tenant is a body in which the relevant person has a beneficial interest.
- Any beneficial interest in securities of a body where:
 - a) that body has a piece of business or land in the area of the relevant authority, and
 - b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body **or** (ii) the total nominal value of the shares of any one class belonging to the relevant person exceeds one hundredth of the total issued share capital of that class.

Any Member who is unsure if their interest falls within any of the above legal definitions should seek advice from the Monitoring Officer in advance of the meeting.

A Member with a DPI should state in the meeting: ***'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations on the item: 'I declare a Disclosable Pecuniary Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Prejudicial Interests

Any interest which a reasonable, fair minded and informed member of the public would reasonably believe is so significant that it harms or impairs the Member's ability to judge the public interest in the item, i.e. a Member's decision making is influenced by their interest so that they are not able to impartially consider relevant issues.

A Member with a Prejudicial interest should state in the meeting: ***'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'***

Or, if making representations in the item: 'I declare a Prejudicial Interest in item x because xxx. As soon as we come to that item, I will make representations, then I will leave the room/ move to the public area for the entire duration of the discussion and not take part in the vote.'

Personal interests

Any other connection or association which a member of the public may reasonably think may influence a Member when making a decision on council matters.

Members with a Personal Interest should state at the meeting: ***'I wish to declare a Personal Interest in item x because xxx'. As this is a Personal Interest only, I will take part in the discussion and vote on the matter.***

This page is intentionally left blank

Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE

MONDAY, 17 MAY 2021

PRESENT: Councillors Christine Bateson (Chairman), Lynne Jones (Vice-Chairman), Julian Sharpe, Gurpreet Bhangra and Simon Bond

Also in attendance: Councillors David Hilton and Samantha Rayner

Officers: Mark Beeley, Emma Duncan, Catherine Hickman, Steve Mappley, Adele Taylor, Andrew Vallance and Jonathan Gooding (Deloitte)

APOLOGIES FOR ABSENCE

There were no apologies for absence received.

DECLARATIONS OF INTEREST

There were no declarations of interest received.

MINUTES

RESOLVED UNANIMOUSLY: That the minutes of the meeting held on 16th February 2021 were approved as an accurate record.

ANNUAL GOVERNANCE STATEMENT - PROGRESS REPORT

Emma Duncan, Deputy Director of Law and Strategy, explained that the Annual Governance Statement would be considered by the Audit and Governance Committee, with this report being a progress update on last year's statement. A number of actions had been identified and officers had been working to make changes to the governance of the council. One of these actions was the lack of clarity of roles and responsibilities for Members, with more training being offered and a new code of conduct recently being approved. Level of work pressure was another area and the council had taken steps to increase funding capacity in key areas and a new corporate plan was being developed. The Executive Director of Resources and the finance team had developed a budget which was balanced and progress had been made on financial control. There had been a significant amount of strategy development, with the new EQIA (Equalities Impact Assessment) being incorporated as part of the decision-making process. The recording of officer decisions had improved and there was wider engagement and transparency with the public as a result. A new transformation strategy was in the process of being adopted whilst there were developments in procurement, with officers being aware of the procurement framework.

It was important that the Corporate Leadership Team were given sufficient time to review and comment on reports. For values and behaviours, a new framework had been launched in 2020 based around the new values and staff from across RBWM had taken part in Crucial Conversations workshops, which raised awareness of the new values. IT infrastructure had been updated as part of the Modern Workplace Project, with all staff receiving a new laptop and being able to extensively work remotely. The VPN rollout was nearing completion which would further improve the infrastructure. Looking at the governance of the pension fund, a new pension fund manager had recently been recruited.

Considering the next steps, Emma Duncan said that statutory officer groups had been set up by the Chief Executive during 2020. Consideration was given to any governance issues and work would be done around the Centre for Public Scrutiny and risk and resilience. Self-

assessment and Member assessment would pick up further issues. There was still work to do but a significant amount of progress had been made.

Councillor L Jones asked for further information on issues around resources and capacity.

Emma Duncan said that there would be some issues which all led to good decisions across the organisation. It was the beginning of the process and it was important to get the decision right first-time round. Further resources may be required and the council needed to see where it could get best value for money.

Councillor Sharpe asked if the steps that the council were taking meant that it was currently in a good place.

Emma Duncan explained that she had only been at the council for a few months and therefore was able to have an outside view on what had been happening. She believed that there was a real desire to change and there was a realisation that officers wanted decisions to be made well. The Chief Executive and Executive Director of Resources had moved things along and they were keen to keep moving things forward too.

The Chairman asked if all local authorities had the same view on governance.

Emma Duncan said that it all relied on cultural change and there were some councils that did not try to change which led to ineffective governance. RBWM had recognised that there were improvements to be made and was implementing change across the organisation.

Councillor L Jones asked Emma Duncan if she could explain the reference in the report to a “new performance framework that will allow Members to track performance of benefit realisation”.

Emma Duncan explained that Members would submit the policy direction with outcomes that there was a desire to achieve. For example, an outcome could be to achieve a certain amount of affordable housing, and how that target would be delivered and by who. The framework would allow the trajectory to be shown, if the trajectory was not being met then there was an opportunity for this to be challenged.

Councillor Bond commented on the independent reviews that had already taken place and other reviews that would be started shortly, which had been mentioned in the action plan. Councillor Bond asked for clarification on what these reviews were.

Emma Duncan clarified that it was a piece of operational work that would involve things like internal audit reviews. It was important that there was assurance and that officers knew what was going on, so that governance framework changes could be implemented. The Executive Director of Resources clarified that this included the review of Property Company governance that was currently being undertaken.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the actions already taken and those planned.

At the conclusion of the item, Emma Duncan and Councillor Rayner left the meeting.

ISA260 UPDATE

Andrew Vallance, Head of Finance, informed the Committee that they had considered the draft ISA260 at the last meeting, with the final version being presented to the Committee now. It was anticipated that the accounts would receive an unqualified opinion and there were a number of actions ongoing as part of the CIPFA action plan, which was regularly considered by the Corporate Overview and Scrutiny Panel. The pension fund action plan had been presented to the Berkshire Pension Fund Committee.

Jonathan Gooding, Deloitte, said that there were two parts to the ISA260, the accounts of the council and the accounts for the pension fund. Deloitte were now in the last stages of the audit, with the representation letter to be completed and they were working through the remaining objections to the accounts. Once this was completed, the accounts would be in a position to be signed off. The report provided the Committee with an update on the matters that were still outstanding. Jonathan Gooding anticipated that an unqualified opinion would be issued on the accounts. The significant audit risk that had been identified was around the management override of controls and a material uncertainty had been identified in the property company's valuation.

On the pension fund, Jonathan Gooding explained that the pension fund accounts were largely complete and an unqualified opinion was also anticipated to be issued on the pension fund accounts. The significant risk that was focussed on was the management override of controls, with a number of control recommendations being issued as part of the report. Deloitte had investigated the overnight loan made by the pension fund and noted an absence of authority which was regarded as a governance weakness. This had been reported to the pension regulator by the local authority.

Andrew Hill had registered to speak on the item. Mr Hill said that at the last meeting of the Committee, in February 2021, he had asked directly about the £1.2 million overnight loan and asked whether it was a materially significant event. Mr Hill asked what had changed between the meeting in February, where a conclusive answer was not given and the meeting tonight, where poor governance around the administration of the loan had been identified. There was a duty on a wide range of people to make a report to the pension regulator and Mr Hill believed that this report could have been produced sooner. Mr Hill noted that in a previous report from Deloitte, they had discovered a £35 million problem with the pension assets and that conflicts of interest had not been reported at an Investment Management Group. Mr Hill asked at the time if these were materially significant events and asked if they would be looked at in more detail. Mr Hill believed that there should be complete transparency.

Adele Taylor, Executive Director of Resources, said that on the pension fund transaction, officers had confirmed at the last meeting that it was still being investigated with the conclusion of the investigation only being confirmed in the last couple of weeks. Adele Taylor explained that she had written to the pension regulator, the transaction was possible but there was no written evidence that the loan had been approved. There was evidence of an agreement but this was during a discussion at a meeting. The circumstances around the loan were a governance weakness which is why it had now been reported to the pension regulator. Adele Taylor confirmed that the transaction was not illegal but there was poor governance in how the transaction had been undertaken.

Jonathan Gooding said it was important to note not just the size of the item in question but the circumstances around it. Therefore, it was considered a significant matter. Regarding the audit adjustments, there were control weaknesses but again circumstances around them needed to be considered. Actions were being responded to.

Councillor Bond asked what would happen with the pension regulator and assumed that the transaction had been noted and that would then be concluded, unless something similar was to happen in future years. He asked for some further information on the loan.

Jonathan Gooding explained that the transaction would be unlawful in the private sector but the pension fund regulations were different. However, there was an expectation that approval would be gained from trustees before a transaction of this nature was made.

Councillor Sharpe asked which elements of the ISA260 did the Committee particularly need to be aware of or worried about.

Jonathan Gooding said the most important part was the control recommendations that had been made and the response to these recommendations from the local authority. He also drew attention to the points made in the value for money conclusion.

Councillor L Jones asked if the issue around planning finances was due to decisions and planning around the budget.

Jonathan Gooding explained that Deloitte were not purely focussed on the outcomes, they were also interested in the process and checking whether the appropriate and correct process had been followed when approving the budget. The qualification would go away in future years if improvements had been made following recommendations made by Deloitte.

Councillor Bond noted that there were six questions on page 28 of the report and asked if the Committee would have the opportunity to see the answers to those questions. He pointed out a small detail, that the pension fund advisory panel minutes had been mentioned but it met as part of the pension fund committee and therefore did not have its own separate minutes.

Jonathan Gooding said that the error on the pension fund committee minutes would be corrected. Deloitte had drafted their responses to the questions but they still needed to be reviewed. Jonathan Gooding said that he would expect them to be completed before the next Committee meeting at the end of July 2021.

Councillor L Jones suggested that it would have been useful to have a summary of the report for each section to help aid the Committees understanding.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and:

- i) Noted the ISA260 for RBWM in Appendix 1.**
- ii) Noted the ISA260 for the Berkshire Pension Fund in Appendix 2.**
- iii) Noted and considered the draft action plan for RBWM in Appendix 3.**
- iv) Noted and considered the draft action plan for the Berkshire Pension Fund in Appendix 4.**

REDMOND REVIEW

Adele Taylor explained that the briefing on the Redmond Review would probably be the first of many as it was important to keep the Committee up to date. Tony Redmond had undertaken a review of external audit arrangements and his report with recommendations had been published in September 2020. External audits had been late across the country for numerous reasons but good audit was part of good governance. Adele Taylor had waited until now to bring the review to the Committee to see what the response was from the Ministry of Housing, Communities and Local Government (MHCLG). A summary of the recommendations was provided in the report and it was clear that there were weaknesses across the whole system. Without prompt action, there would be significant risk. MHCLG accepted most of the findings but currently there was uncertainty about what that would look like going forward for local authorities. There had been an extended deadline for all authorities to submit their accounts, with Adele Taylor confirming that RBWM was working towards meeting the earlier deadline wherever possible. The pension fund had an impact across Berkshire, with RBWM administering the fund on behalf of the other five Berkshire local authorities. MHCLG were not keen on having an overall body which would have oversight of external audit. There was no timeline for when any further updates on the review would be received by the Committee but Adele Taylor said that officers wanted to get the 2020/21 accounts signed off smoothly over the coming months.

Councillor Sharpe asked what outcomes MHCLG wanted from the review.

Adele Taylor said that audits were generally late which was not good for transparency. Simplification of audit statements was something that could be improved. It was hoped that

through better transparency it would encourage more people to take an interest in local authority accounting.

The Chairman asked if all local authorities were on the same financial year and therefore had to meet the same deadlines. She noted in the report that up to 40% of audits had failed to meet the required deadline.

Adele Taylor confirmed that all local authorities and the public sector, including Health, needed to abide by the same deadlines. Resources needed to be balanced across all areas, some authorities which covered a significant district would have limited resources as a result.

Councillor L Jones said that expectation and consistency were mentioned a lot and asked if the new framework would look to incorporate this.

Adele Taylor said that it was too early to say but she hoped it would. There was a balance between the resources of the auditors and those of the finance team. The finance team had seen a significant increase in workload and it was important to have a good relationship with the external auditors.

Councillor Bond said that simplification would allow more people to understand the accounts. He suggested that the accounts should be presented line by line. The amount of detail currently was extensive, local authority accounts were often longer in length than central government.

Adele Taylor said that simplification was something that had been discussed in the sector. The authority needed to provide compliant accounts but detail and explanations would be provided by the finance team where possible under the regulation framework.

Councillor Bhangra noted that MHCLG had accepted most of the findings in the report and asked which areas they had not agreed with.

Adele Taylor said the main thing was the overall governing body recommendation but MHCLG had committed to considering an alternative.

Councillor Hilton, Cabinet Member for Finance and Ascot, said that work had been done to make the accounts more accessible to the public. More narrative had been added which helped explain the figures and findings being presented.

Jonathan Gooding said that it would be beneficial for the accounts to be simplified, as long as they still complied with the accounting standards. Particularly in the legal aspects and the complexity of the accounts, narrative would prove to be useful. However, narrative reports could be lengthy and therefore balance was needed.

Adele Taylor informed Members that she would bring further updates to the Committee once they were available.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

2020/21 INTERNAL AUDIT ANNUAL REPORT

Catherine Hickman, Lead Specialist Audit and Investigation, said that it had been an unprecedented year particularly with the impact of the pandemic on planned internal audit and investigation work and working practises. The original internal audit and investigation plan had been approved in February 2020 but it was agreed by the Committee in September 2020 that the plan would be revised so that the team could respond to new risks and challenges affecting the Council. Audit work had been enhanced in some areas and there had been a need to remain flexible to respond to changing circumstances. The report summarised the

work that had been undertaken and gave the Chief Audit Executive's annual audit opinion, whilst also taking into account other assurance mechanisms, where appropriate. Based on the work undertaken during the year, an overall audit opinion was given of Substantially Complete and Generally Effective but with some improvements required.

Councillor Sharpe asked if the workings of the council were positive or if there were any concerns.

Catherine Hickman said that the key issues that had been discovered by the internal audit team were summarised in the body of the report. These issues had been designated a category 3 opinion.

Councillor L Jones said that it was a very dense report and asked if there was a particular section the Committee should be drawn to specifically.

Catherine Hickman said that she would look to further signpost summaries in the report going forwards to help the Committee's understanding and highlight the key areas of concern.

Councillor L Jones asked if the internal audit team had seen improvements around cash flow process.

Catherine Hickman explained that there had been assurances from officers involved that they had undertaken significant work to get on top of issues identified as a result of internal audit work and these improvements would be independently confirmed as part of the internal audit follow up work to be undertaken during 2021/22.

Councillor L Jones suggested that she would like to make a recommendation that this was checked by internal audit as part of the plan for next year. Catherine Hickman said that follow up work would be programmed around any key issues. Adele Taylor said it was an area the finance team wanted to improve but it had been a challenging year for predicting the council's cash flow, especially given the notification of new grants and new responsibilities due to the pandemic.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report and:

- i) The SAIS activity for the financial year end 31 March 2021.**
- ii) Progress in achieving the 2020/21 Internal Audit and Investigation Plan.**

RISK MANAGEMENT REPORT

Steve Mappley, Insurance and Risk Manager, explained that the risk management report was set out in two parts; the approach to risk management that the council used and what risk looked like in practice. There were key strategic and key operational risks, with the report being shorter than it used to be as a long risk report was not good governance. Each key risk was summarised in the report.

Councillor Bond asked if skill shortages were including on the register as an operational risk.

Steve Mappley explained that skill shortages had been on the risk register in the past but it was captured in HR terms. There did not seem to be a place that skill shortages would fit on the register unless it was service specific, but even then it was unlikely to carry the damage implications that the other key risks did.

Councillor L Jones asked how officers assessed whether a risk was 'fairly likely' and the implications that it could have.

Steve Mappley said that there were two metrics, likelihood and impact, and work was done to understand how these metrics were reached for each key risk. This could involve using data over a number of years or it could be a prediction.

Adele Taylor said it was important to note the impact the pandemic has had on the economic landscape. While some risks were still unlikely to happen, the pandemic may have changed the likelihood for some key risks. Risks involving capital and capital receipts were usually always going to be high risk.

Steve Mappley said that the metrics set out in the report were very easy to follow and understand.

Councillor L Jones said that it was good to have an easy to understand system when it came to risk but it would be useful for the Committee to have a deeper understanding of some of the key risks.

Councillor Sharpe raised the issue of data protection, particularly as local authorities could be a target.

Adele Taylor said that the IT team kept all infrastructure up to date, it was important to manage, monitor and learn when it came to IT risks. There had been significant investment in the Modern Workplace Project but there were always improvements to be made.

RESOLVED UNANIMOUSLY: That the Audit and Governance Committee noted the report.

WORK PROGRAMME

Adele Taylor said that an updated work programme would be circulated to the Committee after the meeting as officers now had a clearer indication of when the next set of accounts would be considered.

ACTION - Mark Beeley, Democratic Services Officer, to circulate the updated work programme to the Committee after the meeting.

The meeting, which began at 7.00 pm, finished at 8.50 pm

CHAIRMAN.....

DATE.....

This page is intentionally left blank

Report Title:	Treasury Management Outturn Report 2020/21
Contains Confidential or Exempt Information	No - Part I
Cabinet Member:	Councillor Hilton, Cabinet Member for Finance and Ascot
Meeting and Date:	Audit and Governance Committee – 29 July 2021
Responsible Officer(s):	Adele Taylor, Executive Director of Resources & s151 Officer
Wards affected:	All

REPORT SUMMARY

1. The purpose of this report is to:

- a) Update Members on the delivery of the Treasury Management Strategy approved by Council on 25th February 2020 and confirm the treasury outturn position as at 31st March 2021.
- b) This report forms part of the monitoring of the treasury management function as recommended in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Treasury Management Code of Practice which requires that the Council receives a report on its treasury management activity at least twice a year;

Specifically this report includes:

- a) a review of the Council's borrowing strategy in 2020/21;
- b) a review of the Council's financial investment portfolio for 2020/21 as at 31st March 2021;
- c) a review of compliance with the Council's Treasury and Prudential limits for 2020/21; and
- d) an economic update for the financial year is included as Appendix A.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION:

That Audit and Governance Committee notes and approves the annual Treasury Outturn Report 2020/21.

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Council to approve treasury management mid-year and annual reports.
- 2.2 The Council's treasury management strategy for 2020/21 was approved at the Council meeting on 25th February 2020. When borrowing and investing money the Council is exposed to financial risks including the loss of invested funds and the revenue impact of changing interest rates. The successful identification, monitoring and control of risk remains central to the Council's treasury management strategy.

3. KEY IMPLICATIONS

- 3.1 A successful treasury management approach will ensure the security of the Council's assets whilst meeting the liquidity requirements of the Council.

Table 1: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	2020/21 Actual
No. of days that counterpart limits are exceeded	>0	<=0	N/A	N/A	9
No of days that the operational boundary for long-term debt is exceeded	>0	<=0	N/A	N/A	0

4. FINANCIAL DETAILS / VALUE FOR MONEY

The treasury management position at 31st March 2021 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.20 Balance £m	Movement £m	31.3.21 Balance £m	31.3.21 % of borrowing
Long-term borrowing	57.0	0.0	57.0	29.7
Short-term borrowing	167.5	(32.8)	134.7	70.3
Total borrowing	224.5	(32.8)	191.7	
Long-term investments	0.0	0.0	0.0	0.0
Short-term investments	9.7	0.5	10.2	42.7
Cash and cash equivalents	42.0	(28.3)	13.7	57.3
Total investments	51.7	(27.8)	23.9	
Net borrowing	172.8	(5.0)	167.8	

- 4.1 Net borrowing has reduced due to the receipt of government Covid-19 funding during the year, which has boosted cashflow. Covid-19 reserves and carried-forward grants will be spent in future years, leading to increases in net borrowing again.

Borrowing Update

- 4.2 In November 2020 the PWLB published its response to the consultation on 'Future Lending Terms'. From 26th November the margin on PWLB loans above gilt yields was reduced from 1.8% to 0.8% providing that the borrowing council can confirm that it is not planning to purchase 'investment assets primarily for yield' in the current or next two financial years. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. As part of the borrowing process authorities will now be required to submit more detailed capital expenditure plans with confirmation of the purpose of capital expenditure from the Section 151 Officer. The PWLB can now also restrict local authorities from borrowing in unusual or large amounts.
- 4.3 Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management. Misuse of PWLB borrowing could result in the PWLB requesting that Council unwinds problematic transactions, suspending access to the PWLB and repayment of loans with penalties.
- 4.4 The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to take advantage of the reduction in the PWLB borrowing rate.

Borrowing Strategy

- 4.5 At 31st March 2021 the Authorities total borrowing was £191.7m, as part of its strategy for funding previous and current years' capital programmes.
- 4.6 Outstanding loans on 31st March are summarised in Table 3 below:

Table 3: Borrowing Position

	31.3.20 Balance £m	Net Movement £m	31.3.21 Balance £m	31.3.21 Weighted Average Rate %
Public Works Loan Board	44	0	44	5.0
Banks (LOBO)	13	0	13	4.2
Local authorities (short-term)	134	(20)	114	0.1
Funds held on behalf of LEP	34	(13)	21	0.1
Total borrowing	225	(33)	192	

4.7 With short-term interest rates remaining much lower than long-term rates during the period, the Council considered it more cost effective to take out short-term borrowing rather than arranging any new long-term funding.

4.8 LOBO loans: The Council continues to hold £13m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. No banks exercised their option during the year.

Treasury Investment Activity

4.9 On 1st April 2020 the Council received £28.6m of central government funding to support small and medium sized businesses during the coronavirus pandemic through grant schemes. The receipt of this funding (as well as other smaller amounts in advance during the year) meant that the Council temporarily held higher cash and cash equivalent assets that it otherwise would have.

4.10 The Authority holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the year, the Authority's investment balances ranged between £11.1m and £88.6 million due to timing differences between income and expenditure. The investment position is shown in Table 4 below.

Table 4: Treasury Investment Position

	31.3.20 Balance £m	Net Movement £m	31.3.21 Balance £m	31.3.21 Income Return %
Banks	5.7	(2.5)	3.2	0
Debt Management Office	22.4	(22.4)	0	0.1
Money Market Funds	13.9	(3.4)	10.5	0.1
Loans to Associates	9.7	0.5	10.2	1.06
Total investments	51.7	(27.8)	23.9	

- 4.11 Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.
- 4.12 Continued downward pressure on the short-dated cash rate brought net returns on sterling low volatility net asset value money market funds (LVNAV MMFs) close to zero even after some managers have temporarily lowered their fees. At this stage net negative returns are not the central case of most MMF managers over the short-term, and fee waivers should maintain positive net yields, but the possibility cannot be ruled out.
- 4.13 Deposit rates with the Debt Management Account Deposit Facility (DMADF) have continued to fall and are now largely around zero. The net return on Money Market Funds net of fees, which had fallen after Bank Rate was cut to 0.1% in March, are now at or very close to zero; fund management companies have temporarily lowered or waived fees to avoid negative net returns.
- 4.14 Following the cut in Bank rate from 0.75% to 0.10% in March 2020, the Authority had expected to receive significantly lower income from its cash and short-dated money market investments, including money market funds in 2020/21, as rates on cash investments are close to zero percent. Despite the average balances held in these investments being slightly higher than the previous year, £129,000 of interest was received from these balances in 2020/21 compared to £315,000 in 2019/20.

Non-Treasury Investments

- 4.15 The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return.

As at 31/03/2021 the Council held £94.8m of such investments in investment properties. These investments generated £3.318m of investment income for the Authority after taking account of direct costs, representing a rate of return of 3.5%.

Compliance

- 4.16 The Director of Resources (S151 Officer) reports that all treasury management activities undertaken during the year complied fully with the CIPFA Code of Practice, except for one breach of counterparty limits for a short period of time.
- 4.17 The Council met its targets set in the Treasury Management Strategy with the exception of its counterparty limits that were temporarily breached in error. The set-up of the relevant spreadsheet has since been adjusted to avoid this happening in future.

4.18 The performance against debt and counterparty limits is shown in Tables 5 and 6 below.

Table 5: Debt Limits

	2020/21 Maximum	31.3.21 Actual	2020/21 Operational Boundary	2020/21 Authorised Limit	Complied?
Borrowing	£226m	£192m	£252	£275m	Yes

Table 6: Counterparty Limits

	2020/21 Actual	2020/21 Target	Complied?
No. of days that counterparty limits are exceeded	9	0	No

4.19 The Council's interest rate exposure limit is set to control its exposure to interest rate rises by limiting the amount of short-term borrowing that the Council holds. The Council complied with this limit as shown in Table 7 below:

Table 7: Interest Rate Risk Indicator

	2020/21 Maximum	2020/21 Limit	Complied?
Upper limit on proportion of borrowing that is fixed rate	33%	100%	Yes
Upper limit on proportion of borrowing that is variable	75%	80%	Yes

Other

4.20 **CIPFA consultations:** In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.

4.21 In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e. recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities,

replacing the “gross debt and the CFR” with the liability benchmark as a graphical prudential indicator.

- 4.22 Proposed changes to the Treasury Management Code include requiring job specifications and “knowledge and skills” schedules for treasury management roles to be included in the Treasury Management Practices (TMP) document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.
- 4.23 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

5. LEGAL IMPLICATIONS

- 5.1 In producing and reviewing this report the Council is meeting legal obligations to properly manage its funds.

6. RISK MANAGEMENT

6.1 Table 8: Impact of risk and mitigation

Risk	Level of uncontrolled risk	Controls	Level of controlled risk
That a counterparty defaults on repayment of a loan resulting in a loss of capital for the Council	MEDIUM	Loans are only made to counterparties on the approved lending list. The credit ratings of counterparties on the lending list are monitored regularly Counterparty limits reviewed and reduced to limit individual exposure.	LOW
That funds are invested in fixed-term deposits and are not available to meet the council’s commitment to pay suppliers and payroll.	MEDIUM	A cashflow forecast is maintained and referred to when investment decisions are made to ensure that funds are available to meet the council’s commitment to pay suppliers and payroll.	LOW

7. POTENTIAL IMPACTS

- 7.1 Equalities. None identified.
- 7.2 Climate change/sustainability. None identified.
- 7.3 Data Protection/GDPR. None identified.

8. CONSULTATION

8.1 This section is not applicable.

9. TIMETABLE FOR IMPLEMENTATION

This section is not applicable.

10. BACKGROUND DOCUMENTS

10.1 This report is supported by 1 Appendix:

- Appendix A – Economic Update

11. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Hilton	Lead Member for Finance and Ascot		
Duncan Sharkey	Chief Executive		
Adele Taylor	Executive Director of Resources/S151 Officer	20/7/21	20/7/21
Andrew Durrant	Executive Director of Place		
Kevin McDaniel	Executive Director of Children's Services		
Hilary Hall	Executive Director of Adults, Health and Housing		
Andrew Vallance	Head of Finance	15/7/21	20/7/21
Elaine Browne	Head of Law		
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer		
Nikki Craig	Head of HR, Corporate Projects and IT		
Louisa Dean	Communications		
Karen Shepherd	Head of Governance		

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Key decision	No	No

Report Author: Ryan Stone, Accountant, 01628 683233

2020/21 Economic Update - Provided by the Council's Treasury Management Advisors Arlingclose

The coronavirus pandemic dominated 2020/21, leading to almost the entire planet being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt. The Bank of England cut Bank Rate to 0.1% and the UK government provided a range of fiscal stimulus measures, the size of which has not been seen in peacetime.

Some good news came in December 2020 as two COVID-19 vaccines were given approval by the UK Medicines and Healthcare products Regulatory Agency (MHRA). The UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.

A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.

The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion to £895 billion at its November 2020 meeting. In its March 2021 interest rate announcement, the BoE noted that while GDP would remain low in the near-term due to COVID-19 lockdown restrictions, the easing of these measures means growth is expected to recover strongly later in the year. Inflation is forecast to increase in the near-term and while the economic outlook has improved there are downside risks to the forecast, including from unemployment which is still predicted to rise when the furlough scheme is eventually withdrawn.

Government initiatives supported the economy and the Chancellor announced in the 2021 Budget a further extension to the furlough (Coronavirus Job Retention) scheme until September 2021. Access to support grants was also widened, enabling more self-employed people to be eligible for government help. Since March 2020, the government schemes have helped protect more than 11 million jobs.

Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to January 2021 the unemployment rate was 5.0%, in contrast to 3.9% recorded for the same period 12 months ago. Wages rose 4.8% for total pay in nominal terms (4.2% for regular pay) and was up 3.9% in real terms (3.4% for regular pay). Unemployment is still expected to increase once the various government job support schemes come to an end.

Inflation has remained low over the 12 month period. [It has increased sharply since 31.3.21] Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) fell to 0.4% year/year in February, below expectations (0.8%) and still well below the Bank of England's 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.7% year/year (1.0% expected).

After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter. When released, figures for Q1 (Jan-Mar) 2021 are expected to show a decline given the national lockdown.

After collapsing at an annualised rate of 31.4% in Q2, the US economy rebounded by 33.4% in Q3 and then a further 4.1% in Q4. The US recovery has been fuelled by three major pandemic relief stimulus packages totalling over \$5 trillion. The Federal Reserve cut its main interest rate to between 0% and

0.25% in March 2020 in response to the pandemic and it has remained at the same level since. Joe Biden became the 46th US president after defeating Donald Trump.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.5% but in December 2020 increased the size of its asset purchase scheme to €1.85 trillion and extended it until March 2022.

Financial markets: Monetary and fiscal stimulus helped provide support for equity markets which rose over the period, with the Dow Jones beating its pre-crisis peak on the back of outperformance by a small number of technology stocks. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.

Ultra-low interest rates prevailed throughout most of the period, with yields generally falling between April and December 2020. From early in 2021 the improved economic outlook due to the new various stimulus packages (particularly in the US), together with the approval and successful rollout of vaccines, caused government bonds to sell off sharply on the back of expected higher inflation and increased uncertainty, pushing yields higher more quickly than had been anticipated.

The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.

1-month, 3-month and 12-month SONIA bid rates averaged 0.01%, 0.10% and 0.23% respectively over the financial year.

The yield on 2-year US treasuries was 0.16% at the end of the period, up from 0.12% at the beginning of January but down from 0.21% at the start of the financial year. For 10-year treasuries the end of period yield was 1.75%, up from both the beginning of 2021 (0.91%) and the start of the financial year (0.58%).

German bund yields continue to remain negative across most maturities.

Credit review: After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels. The gap in spreads between UK ringfenced and non-ringfenced entities remained, albeit Santander UK is still an outlier compared to the other ringfenced/retail banks. At the end of the period Santander UK was trading the highest at 57bps and Standard Chartered the lowest at 32bps. The other ringfenced banks were trading around 33 and 34bps while Nationwide Building Society was 43bps.

Credit rating actions to the period ending September 2020 have been covered in previous outturn reports. Subsequent credit developments include Moody's downgrading the UK sovereign rating to Aa3 with a stable outlook which then impacted a number of other UK institutions, banks and local government. In the last quarter of the financial year S&P upgraded Clydesdale Bank to A- and revised Barclay's outlook to stable (from negative) while Moody's downgraded HSBC's Baseline Credit Assessment to baa3 whilst affirming the long-term rating at A1.

The vaccine approval and subsequent rollout programme are both credit positive for the financial services sector in general, but there remains much uncertainty around the extent of the losses banks and building societies will suffer due to the economic slowdown which has resulted due to pandemic-related lockdowns and restrictions. The institutions and durations on the Authority's counterparty

list recommended by treasury management advisors Arlingclose remain under constant review, but at the end of the period no changes had been made to the names on the list or the recommended maximum duration of 35 days.

Report Title:	Annual Governance Statement and Action Plan 2020/21
Contains Confidential or Exempt Information	No – Part I
Cabinet Member:	Councillor Johnson, Leader of The Royal Borough of Windsor and Maidenhead
Meeting and Date:	Audit and Governance Committee 29 July 2021
Responsible Officer(s):	Emma Duncan Monitoring Officer and Deputy Director of Law and Strategy
Wards affected:	All

REPORT SUMMARY

1. This report presents the draft 2020/21 Annual Governance Statement (AGS), including the AGS Action Plan for the forthcoming year.
2. It recommends that the Panel considers the content and recommends the 2020/21 AGS to the Leader and Chief Executive for signature and presentation with the Annual Statement of Accounts.
3. The recommendation is being made to ensure that the council meets its statutory requirements and those of the Committee's Terms of Reference to be satisfied that the council has in place appropriate corporate governance systems and controls.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION:

That the Audit and Governance Committee notes the report and:

- i) Considers the draft 2020/21 AGS, identifying any specific matters which should be brought to the attention of Council or Cabinet;**
- ii) Recommends the 2020/21 AGS to the Leader of the Council and Chief Executive for signature and publication with the Council's Statement of Accounts.**
- iii) Requests that update reports be provided to the Committee summarising progress on the AGS Action Plan**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

2.1 The annual review of the council's governance framework is required under the Accounts and Audit Regulations 2015 which state that 'A relevant authority must ensure that it has a sound system of internal control' (Regulation 3) and 'each financial year conduct a review of the effectiveness of the system of internal control and prepare an annual governance statement' (Regulation 10).

2.2 The AGS is required to demonstrate that systems and processes are in place to ensure that council business is conducted lawfully and in accordance with proper standards and to identify areas where compliance could be improved.

2.3 The AGS is prepared having regard to the principles contained in the CIPFA (Chartered Institute of Public Finance) Guidance "Delivering Good Governance" (2016) and Guidance - CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21.

2.4 The draft AGS and Action Plan for 2020/21 are set out in Appendix 1 to this report.

2.4 Once recommended by the Panel, the AGS is required to be signed off by the Chief Executive and the Leader of Council and presented with the council's 2020/21 Statement of Accounts to fulfil the council's statutory obligations.

The external auditor is then required to comment on the content of the AGS in terms of whether it correctly represents the organisation.

Table 1: Options arising from this report

Option	Comments
Consider the draft 2020/21 AGS and Action Plan and recommend it to the Chief Executive and Leader of the Council for signature and publication with the council's Statement of Accounts. The recommended option	This will ensure that the council meets its statutory requirements. In addition, the Committee will comply with its responsibilities as set out within its Terms of Reference in respect of the council's governance arrangements.
Note the draft 2020/21 AGS and propose further changes before submission to the Chief Executive and Leader of the Council.	Members may wish to propose that the AGS is amended if they feel that there are material issues which have not received sufficient emphasis or are not covered.
Not recommend the 2020/21 AGS.	The council will not meet its statutory requirements, and this may expose the council to an avoidable risk, arising from not having an adequate governance framework in place. This could result in a qualification in the

Option	Comments
	External Auditors' Annual Management Letter.

3. POLICY CONTEXT AND BACKGROUND

3.1 The Council has established a number of Interim Strategic Objectives to cover the period 2020-21 including several Interim Focus Objectives as follows;

2.1 Interim Focus Objectives 2020-21

- Service Stand Up Plans (business continuity)
- Revised Service Operating Plans
- Transformation Plan
- Climate Strategy
- Governance
- People Plan – Values, Leadership, Black Lives Matter

2.2 Full details of the Council's interim focus objectives and the actions which will deliver these priorities are published on the Council's website. This report contributes the Governance, Transformation and People elements of the focus objectives.

2.3 The AGS was previously reported to the Corporate Overview and Scrutiny Panel on 15 June 2020 and 24 November 2020. It now falls within the terms of reference of the Audit and Governance Committee and the Committee reviewed the progress of the AGS Action Plan 2019/20 on 17th May 2021.

2.4 As part of the Council's improvement journey the Council's key governance statutory officers (Head of Paid Service, S151 Officer, Monitoring Officer, and deputies) meet as the Statutory Governance Officer Group to discuss governance related issues and lead on the preparation of the AGS.

2.5 As part of preparing the AGS for 2020/21 a review has been undertaken against the Centre for Governance and Scrutiny's "Governance Risk and Resilience Framework" which aligns with the CIPFA Code which underpins the AGS.

2.6 The outcomes from this together with other issues from the AGS 19/20, issues identified from the Monitoring Officer report, issues raised through audit, complaints or other routes form the basis for the AGS 20/21 and Action Plan.

2.7 The Action Plan has been revised to reflect the themes required to be considered in line with the CIPFA Guidance reflecting best practice.

2.8 Key areas for focus this year are grouped thematically around the good governance principles and allow for a managed process of improvement.

2.9 This year the key areas for action include;

2.10 A continued focus on ethical values, integrity and respecting the rule of law to include continuing work on the new Code of Conduct, workshop sessions for Members of the wider governance framework, a review of the Member/Officer Protocol and revisiting our procurement processes.

- 2.11 Strengthening our strategic framework with a new outcomes based Corporate Plan emanating from a robust evidence base and consultation and engagement with our residents and communities, with enhanced reporting and tracking capability.
- 2.12 Managing risks and performance more effectively with a review of our risk assessment framework, a new performance management system and implementing the Property Company Governance Action Plan.
- 2.13 Reinforcing our Overview and Scrutiny function to give better oversight on key strategic priorities.
- 2.14 Building up the Council's links with residents, communities, and businesses through a new approach to engagement to deliver better outcomes.
- 2.15 These are set out in more detail in the Action Plan with timescales and will be reviewed by the Committee regularly.

4. KEY IMPLICATIONS

Outcome	Unmet	Met	Exceeded	Exceeded Significantly	Date of delivery
The council has a process in place to meet the core principles of good governance supporting good performance and outcomes for service users / residents.	Poor service performance and outcomes for service users / residents	Good service performance and outcomes for service users / residents.	n/a	n/a	ongoing
Residents will have assurances that the principles of good governance are incorporated into the council's normal business processes, providing them with confidence in the decision-making and management processes and in the	Loss of residents' confidence. Council reputation may be affected.	Residents' confidence in place. Council reputation protected.	n/a	n/a	ongoing

conduct and professionalism of its Members, officers, partners, and other agents in delivering services.					
--	--	--	--	--	--

FINANCIAL IMPLICATIONS

1. There are no financial implications directly arising from the report, however good governance clearly helps RBWM (Royal Borough of Windsor and Maidenhead) manage its resources effectively. .

LEGAL IMPLICATIONS

None arise directly because of the report, however good governance clearly helps RBWM (Royal Borough of Windsor and Maidenhead) meet its legal obligations to its residents and service users protects the Council from legal challenge. More importantly good governance is the cornerstone of building trust between RBWM and the people that it serves.

6. RISK MANAGEMENT

Table 2: Impact of risk and mitigation

Risk	Level of uncontrolled risk	Controls	Level of controlled risk
Poor Governance/legal challenge/council not meeting its objectives	High	Those identified as part of the Code of Corporate Governance	Medium

7. POTENTIAL IMPACTS

7.1 Equalities.

This is an internal governance report and does not require an EQIA (Equality Impact Assessment) screening.

7.2 Climate change/sustainability.

Not relevant

7.3 Data Protection/GDPR.

Not relevant

8. CONSULTATION

- 8.1 Section 138 of the Local Government and Public Involvement in Health Act 2007 places a duty on local authorities to involve local representatives when carrying out "any of its functions" by providing information, consulting or "involving in another way".
- 8.2 This is an internal governance function and does not require consultation.

9. TIMETABLE FOR IMPLEMENTATION

Timescales for implementation are contained in the Action Plan.

10. APPENDICES

This report has one appendix, the AGS Action Plan.

11. BACKGROUND DOCUMENTS

This report is supported by 3 background documents:

- CIPFA "Delivering Good Governance" 2016
- CfGS (Centre for Governance and Scrutiny) "Governance Risk and Resilience Framework" 2021.
- Guidance - CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21

12. CONSULTATION (MANDATORY)

Name of consultee	Post held	Date sent	Date returned
Cllr Johnson	Leader of the Council	15/07/21	
Duncan Sharkey	Chief Executive	15/07/21	16/07/21
Adele Taylor	Executive Director of Resources/S151 Officer	15/07/21	21/07/21
Andrew Durrant	Executive Director of Place	15/07/21	
Kevin McDaniel	Executive Director of Children's Services	15/07/21	
Hilary Hall	Executive Director of Adults, Health and Commissioning	15/07/21	19/07/21
Andrew Vallance	Head of Finance	15/07/21	

Elaine Browne	Head of Law	15/07/21	
Nikki Craig	Head of HR (Human Resources) Corporate Projects and IT	15/07/21	
Louisa Dean	Head of Communications	15/07/21	
Karen Shepherd	Head of Governance	15/07/21	20/07/21

REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Audit and Governance Committee decision	No	No

Report Author: Emma Duncan, Deputy Director of Governance, Law and Strategy 07583074039

Annual Governance Statement 2020/21

Scope of Responsibility

1. The Royal Borough of Windsor and Maidenhead ('the Council') is responsible for ensuring that its business is conducted in accordance with the law, 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.
2. This statement summarises the outcome of the Council's review of the governance arrangements that have been in place during 2020/21.
3. The Council is responsible for ensuring that there is a sound system of governance which incorporates the system of internal control. The local code of governance is underpinned by the seven principles of good governance set out in the CIPFA/SOLACE publication 'Delivering Good Governance in Local Government: Framework 2016'.
4. The Local Code of Governance framework comprises a collection of systems, policies, procedures, rules, processes, behaviours and values by which the Council is controlled and governed. The Framework has been reviewed during the current financial year.
5. The effectiveness of key elements of the governance framework are assessed throughout the year by the Statutory Officer Group, Directors Team, Corporate Leadership Team (CLT), the Audit and Governance Committee, Internal Audit and other Officers and Members as required. The review of effectiveness is informed by the work of senior officers who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and from comments received from external auditors and other review agencies and inspectorates.
6. This Annual Governance Statement (AGS) explains how the Council has complied with its Code of Corporate Governance and also meets the requirements of regulation 6(1)(b) of the Accounts and Audit Regulations 2015.
7. This year the AGS also takes into account the guidance provided by CIPFA Bulletin 06 Application of the Good Governance Framework 2020/21 in relation to the Covid 19 pandemic.

The purpose of the governance framework

8. The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled. The framework also sets out how the Council accounts to, engages with and leads the community.
9. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
10. 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 as an individual's failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.
11. The system of internal control is based on an ongoing process designed to:
 - (a) identify the risks to the achievement of the Council's policies, aims and objectives;
 - (b) evaluate the likelihood and impact of the risks should they be realised; and
 - (c) identify and implement measures to reduce the likelihood of the risks being realised and to manage them efficiently, effectively and economically.

The governance framework

In 2016 CIPFA/SOLACE issued revised best practice guidance for Delivering Good Governance in Local Government. The framework sets out seven principles that should underpin the governance of each Local Authority as:

- A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.

In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance in the public sector also requires effective arrangements for:

- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.

- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

This has now been supplemented by work done by the Centre for Governance and Scrutiny through the “Governance Risk and Resilience Framework” 2021 which give authorities a method of strength testing their governance control environment against the CIPFA principles.

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

In 2021 this review was led by the Statutory Governance Officers Group comprising the Chief Executive, Monitoring Officer, s151 Officer, Head of Legal, Head of Finance and Head of Governance, with input from other officers as relevant. The review was informed by the work of:

- The Chief Executive, Directors and Monitoring Officer (and Deputies) who have responsibility for the development and maintenance of the governance environment. This was through a process of consulting on a draft Annual Governance Statement.
- The Head of Internal Audit’s annual report and opinion, and by comments made by the external auditors and other review agencies and inspectorates.
- Deloitte, the Council’s external auditor.
- The Council's Section 151 Officer who has statutory responsibility for ensuring the proper management of the Council’s financial affairs.
- The Council’s Overview & Scrutiny Panels and Audit and Governance Committee
- The CIPFA review of Financial Governance undertaken in July 2019

The Statutory Governance Officers Group meets regularly to discuss corporate governance arrangements and issues, and to reflect on recurring themes and spheres of activity relating to Council improvement. References in this document referring to the statutory officers will also include reference to the deputy positions. The Group has reviewed and updated the Local Code of Corporate Governance to ensure it reflects the

2016 CIPFA/SOLACE guidance in respect of delivering good governance. The revised document was published following review by the Corporate Overview and Scrutiny Panel on 27 May 2020.

The review this year has been undertaken in line with the Centre for Public Scrutiny's Risk and Resilience framework which is underpinned by the CIPFA Good Governance Principles resulting in the areas for action be identified in the action plan below.

Findings

The findings of this review are outlined under points below:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Behaving with integrity

All Council employees and Members must conduct themselves in accordance with the terms of the Officers' Code of Conduct and Members' Code of Conduct (part 7C and 7A of the Constitution).

On joining the Council officers are provided with a contract outlining the terms and conditions of their appointment. All staff must sign a code of conduct and declare any financial interests, gifts or hospitality on a register.

All Members have attended training on the Code of Conduct. A new Code has been adopted this year by Council and training has been made compulsory.

The Member Standards Panel advises the Council on the Code of Conduct for Members and promotes high standards of conduct by Members. The Committee's terms of reference are set out in Part 6 of the Constitution. Records of the Committee's meetings and decisions are available online.

On becoming a Member of the Royal Borough, all Councillors are required to sign a declaration of acceptance of office which includes an undertaking to observe the code of conduct and the Nolan Principles.

Members are required to register details of Disclosable Pecuniary Interests and a series of interests defined by the Code of Member Conduct. Declarations are required to be completed within 28 days of becoming a Member (or being re-elected or reappointed) in the Authority's Register of Members' Interests.

Further work is now needed on further defining the different roles of Members and Officers. CLT have had recent training on political awareness and the separation on

officer/Member roles. The Member/Officer Protocol will be reviewed as part of the action plan attached to the AGS.

Members will also be asked to take part in workshops to identify any governance issues for consideration by the Statutory Officers Group.

Demonstrating strong commitment to ethical values

A new full time Monitoring Officer has been appointed to give focus around some of the conduct and ethical standards issues for the Council.

A new Code of Conduct has been developed by the LGA for adoption on a national basis. This was considered by full Council in April 2021 and a new code adopted, which was followed by additional training. Guidance and support is being provided to Members across all groups in relation to the application of the Code.

The Monitoring Officer reports annually to the Member Standards Panel on the operation of the Code of Conduct and other associated ethical issues through their annual report.

The Section 151 Officer is the Executive Director for Resources and is responsible for financial administration and financial probity and prudence in decision making and supported by the Head of Finance as the Deputy s151. Both roles are defined within Part 5B of the Constitution.

The Head of Internal Audit is responsible for providing assurance on internal controls, governance and risk management arrangements and ensuring that there are adequate mechanisms in place for the investigation and reporting of fraud.

The Council is committed to protecting any funds and property to which it has been entrusted and expects the highest standards of conduct from Members and officers regarding the administration of financial affairs. The Corporate Policy on the Prevention and Detection of Fraud and Corruption (updated Feb 2021) conforms to legislative requirements and sets out steps to minimise the risk of fraud, bribery, corruption and dishonesty and procedures for dealing with actual or expected fraud.

The Council is committed to achieving the highest possible standards of openness and accountability in all its practices. The Council's Whistleblowing Policy (updated March 2019) sets out the options and associated procedures for Council staff to raise concerns about potentially illegal, unethical or immoral practice and summarises expectations around handling the matter.

Members and officers are required to comply with approved policies.

As identified above the Member/Officer Protocol will be reviewed as part of the Action Plan attached to the AGS.

Respecting the rule of law

The Monitoring Officer is the Deputy Director, Law and Strategy and is responsible for ensuring lawfulness in decision making supported by two Deputy Monitoring Officers, the Head of Governance and the Head of Law.

All reports prepared for Cabinet require legal advice to be sought prior to their submission, and all reports to Cabinet or Cabinet Members must incorporate comments from both the Section 151 Officer and Monitoring Officer before they are submitted for consideration. The reports are also considered at a Leaders Board meeting before the public meeting.

The scheme of delegations to officers, to committees and to Cabinet members ensures that decisions are not ultra vires whilst allowing the Council to exercise its powers in a convenient way.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution. Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination. Training for key officers and Members on roles and responsibilities has been delivered.

Delegated decisions are recorded.

The Council seeks to comply with both the specific requirements of legislation and the general responsibilities placed on it by the common law and public law, bringing the key principles of good administrative law into processes and decision making.

In particular, the process around equality impact assessments (EQIAs) has been strengthened this year to make it more robust.

As part of regular reviews of the Council processes, this year the control environment relating to procurement will be further embedded.

B: Ensuring openness and comprehensive stakeholder engagement.

Openness

It is recognised that people need information about the decisions the Council has taken into account that impact the services they provide. The views of customers are at the heart of the Council's service delivery arrangements. The Council uses a number of methods to communicate the Council's objectives and achievements to local people, including:

- 'Around the Royal Borough' – a newsletter sent to all residents and weekly online residents newsletter and other service specific newsletters.

- The Council Website
- Social Media including Facebook and Twitter
- The annual online Council Tax leaflet
- E newsletter to parishes

The RBWM website is accessible to a wide audience, with relevant and regularly updated news articles online.

The council also has a number of user forums, including the Learning Disability Partnership Board, and the Children in Care Council, which it uses to engage with people it supports, residents, businesses and other stakeholders to enable them to inform the development and delivery of council services.

Copies of the agendas, documents, minutes and decisions of all Committees, Cabinet and Council are available promptly online and an interactive online calendar of future meetings enables public attendance where appropriate.

All public meetings during the pandemic have been live streamed via the Council's e-democracy channel on YouTube. This has ensured more transparent decision making.

The Council has a dedicated webpage for consultations where details of current consultations can be located and is seeking to support wider consultation through the use of a dedicated engagement platform, Engagement HQ.

The Council operates a clear and transparent policy and procedure for dealing with complaints about the Council's services and reports on complaints received and lessons learnt.

RBWM publishes data under the Government's Transparency Code including Council spending, Council contracts and senior salaries.

The Council's Publication scheme details the different classes of information which RBWM routinely makes available and the Freedom of Information webpage provides guidance for the public about what information is available to them and how they can access it, including via Freedom of Information (FOI), Environmental Information and Subject Access Requests. RBWM publishes all responses to FOI requests.

RBWM's commitment to transparency, as detailed above, enables the public to assess this and they can then use the complaints policy and the consultation process to feed back their views.

The Corporate Plan, developed with partners, outlines how RBWM commits to work in the public interest. This takes an evidence-based approach and is in the consultation draft stage at the moment.

A new Engagement Strategy is in the process of development to further underline the Council's commitment to meaningful engagement with residents and communities.

Engaging comprehensively with institutional stakeholders

Partnerships are about the Council coming together with the right organisations to deliver improved outcomes for local people. The Council is involved in many different partnerships at different levels, each with their own set of terms of reference for effective joint working which is set out in the Council's Partnership Protocol. The Communications Strategy 2019/20 outlines how RBWM communicates with all sections of the community, employees and stakeholders.

RBWM proactively engages with the community in order to seek out their views, actively listen to them and support them to respond. There are a range of ways in which people can be involved in shaping decisions. These are inclusive and meet individual needs. RBWM also supports a number of groups to provide views to the Council including a Youth Council and the Disability and Inclusion Forum.

A consultation framework has been developed so that there is a consistency of approach across all of RBWM.

A group of officers hold an oversight role for all consultations that RBWM is currently undertaking or planning to undertake. This seeks to ensure that the Consultation that is presented to the public engages with the target communities and seeks a full set of responses which can be used to inform the Council's decision making. The consultation portal 'Engagement HQ' is used by RBWM for both public and internal consultations.

There is a list of open and closed consultations available on the website and purpose of each consultation is described so it is possible to take part in those that are open.

This includes statutory consultations, surveys which can be completed online or paper questionnaires plus telephone and accessible format options, focus groups, face to face interviews, workshops and consultation/discussion events.

A budget consultation was undertaken during December 2020 and January 2021, for 6 weeks. It was open to the public and promoted through social media, print media, business, voluntary and charity sector networks.

Key stakeholders are being consulted on the emerging Corporate Plan.

All communications are branded to ensure that they are easily recognised, and the information can be translated into different languages and alternative formats as required.

The constitution allows public speaking at Cabinet and other committees, and for public questions to be heard at Full Council.

The pandemic has encouraged the public to attend meetings on line in increasing numbers. These can also be viewed on demand through the council's e democracy channel on YouTube. Work is being undertaken to capture the benefits from this and to make Council meetings more easily accessible.

The Petitions Scheme is available online.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

In response to the developing pandemic, the Council reviewed its existing strategic framework and established a number of Interim Strategic Objectives to cover the period 2020-21 including several Interim Focus Objectives as follows;

- Service Stand Up Plans (business continuity)
- Revised Service Operating Plans
- Transformation Plan
- Climate Strategy
- Governance
- People Plan – Values, Leadership, Black Lives Matter

A new Corporate Plan is in the process of development and currently at consultation stage. This will align with the budget process through into autumn 2021.

Defining outcomes

The development of the new Corporate Plan will help the Council define outcomes from its priorities clearly using the OGSM (outcomes, goals, strategies, measures) methodology.

This will be supported by the development of a new performance management system that will be able to track progress towards those outcomes. This will be underpinned by better data management through InPhase (the Council's performance management software) giving officers and Members better information to track and challenge performance.

Sustainable economic, social and environmental benefits

The Council approved a four year plan in July 2017 through to March 2021, which informs individual area service plans. Together these documents help the Council focus on its six strategic objectives:

- Healthy, skilled and independent residents

- Safe and vibrant communities
- An excellent customer experience
- Growing economy, affordable housing
- Attractive and well-connected borough

A new Corporate Plan is being developed based on a data driven approach to policy making including engagement with our communities and partners. This is currently at the engagement stage with adoption of the new plan intended to be in the autumn.

It will comprise a set of ambitions which can only be delivered through effective, joined-up partnership working and RBWM is clear that ‘whole system thinking’ is the key to improving public services, reducing costs to taxpayers and getting the best outcomes for residents.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

Business Continuity training and workshops took place between September – December 2019. Each service has completed a business impact assessment and rated the priority of their services that were required to keep functioning, dependent on timing and what the ‘event’ is.

Wider governance issues are being addressed through the implementation of a “corporate core” model and this has been resourced in the 21/22 budget to give more resource to the strategic planning of the council in particular, which will support better decision making and planning.

This is being implemented through the development of the new corporate plan, the emerging priorities of which are based upon a data driven approach, and wide community and stakeholder engagement.

The Strategy and Performance Team provides RBWM with the evidence it needs to inform decisions affecting commissioning and operational service delivery, such as population analysis, demand forecasting and needs assessments, as well as enabling the organisation to manage performance, engage with citizens and service users and maintain key business intelligence systems.

As identified above, the implementation of a new performance management system will enhance this aspect of the governance framework.

Planning interventions

Article 12 of the Constitution defines the responsibilities for decision making and the principles in accordance with which decisions must be made.

All reports are reviewed and signed off by the S151 Officer and the Monitoring Officer to ensure the financial impact of any decision is properly recognised before that decision is taken, and the Council's decisions are lawful.

All agendas, minutes and decisions taken by Cabinet members are available to the public through RBWM's website.

The online committee management system which ensures easily accessible and good quality information is always available about decisions and Member meetings, this also ensures that the committee process is efficiently managed.

Reports to Cabinet are considered at a Leaders Board before the formal Cabinet meeting. This allows members of the Cabinet and the senior officers to review the quality of reports and ensure they are easy for the public to understand before they are formally submitted to a Cabinet meeting.

The Overview and Scrutiny Panels play a key role to inform and challenge decisions carried out within each service. Each Overview and Scrutiny Panel has its own terms of reference and these are set out in the Constitution.

Scrutiny members were trained this year on good scrutiny practice.

All relevant papers can be found on RBWM's Committee Management Information System (ModGov).

RBWM intranet pages provide officers and councillors with access to information about decision making.

Reports require an Equality Impact Assessment to be completed and, where appropriate, a Data Protection Impact Assessment.

Optimising achievement of intended outcomes

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

The Performance Report is reviewed by The Corporate Leadership Team (CLT) on a quarterly basis.

Following the adoption of the new Corporate Plan, the new performance management framework will be introduced so that outcomes can be better tracked.

Scrutiny plays a key role in ensuring quality is delivered, providing an independent and robust challenge to delivery of RBWM's objectives and holding Cabinet to

account for delivery. Further work will be undertaken with Scrutiny as identified in the action plan to enhance this element of the governance environment.

RBWM has a comprehensive set of procurement rules to ensure value for money and good procurement practices, which are due for review as part of the Action Plan.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Developing the entity's capacity

RBWM operates a robust interview and selection process to ensure that Officers are only appointed if they have the right levels of skills and experience to effectively fulfil their role. If working with children and/or vulnerable adults they will be subject to an enhanced Disclosure and Barring Service (DBS) check prior to appointment. New officers must attend an induction meeting, which provides information about how the organisation works and managers must complete an induction checklist.

All Officers complete a number of mandatory e-learning courses on an annual basis including health and safety, equalities and diversity and information governance. Officers and Members have access to a range of IT, technical, soft skills and job specific training courses.

Employees' annual training and development needs are identified through the performance management process. In addition to a comprehensive induction programme, there are a number of internal training courses available to employees, covering a wide range of topics and issues. Each service area completes an annual Training Needs Analysis to identify individual officer development.

All Officers receive regular one to ones with their Manager in order to monitor workload and performance. Opportunities are provided for identifying future training and development needs, and to track progress against objectives. The effectiveness of individual performance monitoring is tracked in a number of ways, including by asking staff about it as part of regular staff satisfaction surveys.

RBWM has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new People Strategy is currently under development and identified in the Action Plan.

A LGA Peer Review is being planned for the Spring 2022.

Developing the capability of the entity's leadership and other individuals

The law and Constitution clearly define the responsibilities of key Member and officer roles.

Part 3 of the Constitution sets out how powers delegated to Cabinet Members and Officers. Chief Officers are in turn responsible for authorising delegations to their officers. All delegations are updated when roles or structures change.

The protocol on Member/officer relations contained within Part 7 of the Constitution further defines the day-to-day roles and responsibilities of officers and Members. Following elections in May 2019 all Members were offered a comprehensive Induction and there are regular briefing and development sessions throughout their term of office.

Newly elected Councillors induction includes information on roles and responsibilities, political management and decision-making, financial management and processes, health and safety, information governance, data protection, the Members' Code of Conduct and safeguarding.

Compulsory training is provided for Members who sit on the Licensing Panel, Appeals Panel and the Development Management Committees. The Council has developed an online 'Members' Hub' which is a dedicated area containing documents, news, training and forms. The hub can be accessed from Members' corporate iPads.

A new management structure has been in place since 1st October 2019, which provided stability after the restructure of 2018 was not completed. This reflects the "investing in strong foundations" approach in the Values work that the Council has done. This management structure has added some additional capacity to the organisation at Director level but should not be seen as resolving the governance issues in full.

F. Managing risks and performance through robust internal control and strong public financial management

Managing risk

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

It is available to staff with accompanying guidance and these are reviewed at least annually to ensure they remain fit for purpose.

RBWM has a corporate risk management system that records both strategic and service risks and the assigned owners. A Strategic Risk Report is formally considered on a quarterly basis by the Directors Team where they consider current and emerging risks.

Risks are identified within any reports submitted for decision making.

RBWM has an adopted Risk Management Strategy and this is regularly reviewed and refreshed and considered at Audit and Governance Committee.

The risk management framework will be reviewed this year as part of the Action Plan.

Managing performance

The Council's performance management framework has 42 different measures aligned to the strategic objectives in the Council Plan 2017-21, 22 of which are key measures reported to Cabinet bi-annually. The Overview and Scrutiny Panels have oversight of the relevant key measures reported to Cabinet as well as a range of other performance measures relating to the Council's strategic priorities.

As part of the development of the Corporate Plan a new performance management framework will be developed to link our new outcome based approach to tracking performance and delivery more closely.

Robust internal control

The Council has Finance Procedure Rules which are updated on a rolling basis. They set the framework on how the Council manages its financial arrangements and form part of the Council's Constitution. They also set the financial standards that will ensure consistency of approach and the controls needed to minimise risks.

Work has been undertaken this year in the way which contracts are procured and then managed. Further work is recommended this year on the Procurement Toolkit with officers to embed good practice.

A review of the Property Company governance has been undertaken (supported by the Statutory Governance Officer Group) and reported on to Members. This has resulted in an Action Plan, to be monitored by Corporate Overview and Scrutiny Panel. This is included in the AGS Action Plan as a governance issue for completeness rather than detailed monitoring.

Managing data

RBWM's Publication scheme details the different classes of information which RBWM routinely makes available and the 'Transparency' webpage which provides guidance for the public about what information is available to them and how they can access it. The Council also has a webpage for Freedom of Information (FOI), Environmental Information and Subject Access Requests. We also publish all responses to FOI requests.

The Council has appointed a SIRO (Head of HR, Corporate Projects and IT) to manage information risks and the Council is working towards PSN compliance.

In relation to GDPR, link officers identified for each service area have been provided with ongoing support to ensure all documents including service area Information

Asset Registers (IAR) and Registers of Processing Activity (RoPA) are regularly reviewed, monitored and kept up to date.

Strong public financial management

Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (April 2016). The Chief Financial Officer is the Executive Director for Resources and is supported by the Deputy S151 Officer (Head of Finance)

The s151 Officer is responsible for leading the promotion and delivery of good financial management so that public money is safeguarded at all times, ensuring that budgets are agreed in advance and are robust, that value for money is provided by council services, and that the finance function is fit for purpose. The s151 Officer advises on financial matters to both the Cabinet and full Council and should be actively involved in ensuring that the authority's strategic objectives are delivered sustainably in line with long term financial goals. The s151 Officer together with finance staff should ensure that new policies or service proposals are accompanied by a full financial appraisal which is properly costed, fully funded and identifies the key assumptions and financial risks that face the Council.

The s151 Officer has a statutory duty to report any unlawful financial activity or failure to set or maintain a balanced budget. The s151 Officer also has a number of statutory powers in order to allow this role to be carried out: e.g. Under Section 25 of the Local Government Act 2003 the S151 officer is required to state in the budget report their view on the robustness of estimates for the coming year, the medium-term financial strategy, and the adequacy of proposed reserves and balances. Under Section 114 of the Local Government Finance Act 1988 the chief financial officer has the power to issue a Section 114 notice (S114) if they judge that the council is unable to set or achieve a balanced budget.

The Council has Financial Regulations which provide a framework to identify financial responsibilities and the financial limits assigned to individual Officers. These also outline the responsibilities in relation to partnerships and commissioning arrangements. The Financial Regulations are kept under regular review.

Training for all budget holders on financial processes of compliance for approving spend and monitoring have been held; further training will be provided throughout the financial year on relevant topics to ensure that financial best practice is core to the way the organisation operates.

A new officer Capital Review Board was introduced during 2020/21 to provide more oversight and challenge around the capital programme as well as consider the council's capital strategy.

The Council is in the process of implementing the principles of CIPFA Financial Management Code 2019 (FM Code) during 2020/21.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Implementing good practice in transparency

The Council and its decisions are open and accessible to the community, service users, partners and its staff. The Freedom of Information Act 2000 and the Environmental Information Regulations 2004 gives anyone the right to ask for any information held by the Council except where an exemption or exception can be lawfully applied to such information.

All reports requiring a decision must be considered by appropriately qualified legal and finance staff with expertise in the particular function area before they are progressed to the relevant committee/forum. The Council is committed to its equality responsibilities. To meet these responsibilities, equality impact assessments are undertaken where appropriate. EQIAs are a systematic way of taking equal opportunities into consideration when making a decision, and should be conducted when there is a new or reviewed strategy, policy, plan, project, service or procedure in order to determine whether there will likely be a detrimental and/or disproportionate impact on particular groups, including those within the workforce and customer/public groups.

The Action Plan for the 2019/20 AGS identified that better guidance, controls and instructions to officers were needed to ensure that all decision making complied with the scheme of delegation in the Constitution.

Guidance documentation on decision making has been revised and updated and issued to all members of the Corporate Leadership Team for wider dissemination.

Following the issuing of updated guidance on decision making to all relevant officers and a joint Member/CLT workshop on officer/Member roles and responsibilities, there has been a clear improvement in the application of governance procedures.

This has included regular review of the Forward Plan, ensuring sign-off of reports by statutory officers and an increased use of officer decision forms. Ongoing Member peer support via the LGA has also been provided to political groups.

Implementing good practices in reporting

All reports are checked by the statutory officers or their staff prior to submission and seen by Directors Team. Reports are on a standard template. Delegated decisions are recorded with reasons.

The Forward Plan is available on the website.

Oversight is provided through the Overview and Scrutiny Panels.

Assurance and effective accountability

RBWM's values focus on accountability and the work leading to the development of those values has been important in driving forward the culture of the Council in the past year. For the forthcoming year we need to do more work in embedding those values and this is reflected in the Action Plan.

The Local Government Act 2000 requires a local authority acting under Executive arrangements to have one or more Overview and Scrutiny Panels. The Council operates four Overview and Scrutiny Panels. These panels support the work of the Cabinet and the Council as a whole. They may make reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery.

The Overview and Scrutiny Panels also monitor the decisions of the Cabinet. They can 'call-in' a decision which has been made by the Cabinet but not yet implemented. This enables the Panel to consider whether the decision is appropriate. It may recommend that the Cabinet reconsider the decision. The Panels may also be consulted by the Cabinet or the Council on forthcoming decisions and the development of policy. Details of the Council's Overview and Scrutiny Panels can be located [here](#).

Induction, training and support is provided to individual Members and whole committees to support them in their policy development and holding-to-account roles.

In 2020/21 scrutiny in RBWM was supported by officers within Democratic Services and the Democratic Services Team Manager is the Statutory Scrutiny Officer. Work will be undertaken as part of the AGS Action Plan to develop the role of other officers in the Council to support Overview and Scrutiny more effectively.

The Head of Finance, Executive Director of Resources and Internal Audit meet with the external auditors on a regular basis to discuss audit activity and ensure that appropriate support is being provided.

The Audit and Governance Committee has undertaken the key functions required of it by Chartered Institute of Public Finance's (CIPFA) guidance on the role of audit committees.

The Audit and Governance Committee role and purpose is set out in Articles of the constitution.

The Committee has a close working relationship with the internal and external auditors.

In July 2020, the Overview and Scrutiny Committee approved RBWM's 2019/20 Statement of Accounts and it approved the Internal Audit Plan which is regularly reported to Committee.

The Committee met 4 times during the 2020/21 financial year, in public.

Their work has included receiving internal audit and counter fraud progress reports, including detail of all limited assurance reviews and the extent to which remedial recommendations have been implemented.

Head of Internal Audit Opinion

The Head of Internal Audit's overall audit opinion on the internal control environment (framework of governance, risk management and internal control) is one of adequate assurance.

The Head of Assurance Annual Report provides a summary of the activity used to support this opinion and concludes 'this adequate assurance opinion demonstrates that the control environment has remained relatively stable during 20120/21, with a similar percentage of limited and no assurance opinions compared to the prior year'.

External Audit

The External Auditors provided qualified opinion on the 2019/2020 on the value for money assessment . This was reported to the Audit and Governance and Committee in May 2021.

1.

Subject	Action (s)	Responsible Officer	Target completion date
A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.	1. Member training on the new Code of Conduct.	Deputy Director of Governance, Law and Strategy/Monitoring Officer (A1,2 &3)	July 2021 (A1)
	2. Development of a Overview and Scrutiny Development Plan based of the CfGPS resilience framework to include work with the Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel .		October 2021 (A2)
	3. Review of Member/Officer Protocol	Head of Law (A4)	October 2021 (A3)
	4. Launch of Procurement Toolkit		October 2021 (A4)
B. Ensuring openness and comprehensive stakeholder engagement	1. Embedding of the new consultation framework	Deputy Director of Governance, Law and Strategy/Monitoring Officer (B1&2)	September 2021 (B1&2)
	2. Adoption of a new Engagement Strategy		
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.	1. Adoption of new corporate plan based on OGGs model	Deputy Director of Governance, Law and Strategy/Monitoring Officer (C1&2)	Nov 2021 (C1/C2)
	2. Implement InPhase system		

<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<ol style="list-style-type: none"> 1. Adoption of new corporate plan 2. Adoption of a new performance management framework 	<p>Deputy Director of Governance, Law and Strategy/Monitoring Officer (D1&2)</p>	<p>Nov 2021 (D1/D2)</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<ol style="list-style-type: none"> 1. Adoption of People strategy 2. Consideration of leadership development for all officers in a leadership role 3. Development of a Overview and Scrutiny Development Plan based of the CfGPS resilience framework to include work with the Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel . 4. Production of Scrutiny Handbook 	<p>Head of HR, Corporate Projects and IT (E1&2)</p> <p>Head of Governance (E3&4)</p> <p>Scrutiny Officer (E4)</p>	<p>Nov 2021 (E1&2)</p> <p>Oct 2021 (E3&4)</p>
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p>	<ol style="list-style-type: none"> 1. Development of a new performance management framework 2. Review of Risk Management 3. Council's Governance of the Property Company Action Plan 	<p>Deputy Director of Governance, Law and Strategy/Monitoring Officer (F1)</p> <p>Head of Finance (F2)</p> <p>Deputy Director (F3)</p>	<p>Nov 2021 (F1)</p> <p>Feb 2022(F2)</p> <p>April 2022 (F3)</p>
<p>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<ol style="list-style-type: none"> 1. Further training for O&S panels on questioning techniques and scrutiny work 2. CfGS resilience framework workshops for Audit and Governance Committee, Corporate Overview and Scrutiny Panel and Member Standards Panel in workshop format. 	<p>Head of Governance (G1)</p> <p>Deputy Director of Governance, Law and Strategy/Monitoring Officer (G2)</p>	<p>Oct 2021 (G1)</p> <p>Nov 2021 (G2)</p>

CONCLUSION

The Council has many elements of a good governance system in place. It is important that over the coming years efforts are made to further develop the culture of the organisation to operate these systems consistently.

In the past year we have strengthened our governance foundations and culture to help us make better decisions for our communities and whilst we have made considerable steps forward, we know that there is work yet to do.

The Action Plan will help us address those areas that will support our new culture to embed the key principles of good governance at the heart of our organisations making it more accountable.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements, including an LGA Peer Review. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Cllr C Bateson
Chairman, Audit and Governance Committee

Signed:
Date:

Duncan Sharkey
Chief Executive

Signed:
Date:

Cllr Andrew Johnson
Leader of the Council

Signed:
Date

This page is intentionally left blank

WORK PROGRAMME – AUDIT AND GOVERNANCE COMMITTEE

DIRECTORS	<ul style="list-style-type: none"> • Duncan Sharkey (Chief Executive) • Adele Taylor (Executive Director of Resources and S151 Officer) • Emma Duncan (Deputy Director of Law and Strategy)
LINK OFFICERS & HEADS OF SERVICES	<ul style="list-style-type: none"> • Catherine Hickman (Lead Specialist Audit and Investigation) • Steve Mappley (Insurance and Risk Manager) • Andrew Vallance (Head of Finance) • Karen Shepherd (Head of Governance)

MEETING: 23rd SEPTEMBER 2021

ITEM	RESPONSIBLE OFFICER
Internal Audit Service – new arrangements	Andrew Vallance , <i>Head of Finance</i>
Work Programme	Panel clerk

MEETING: 21st OCTOBER 2021

ITEM	RESPONSIBLE OFFICER
Key Risk Report	Steve Mappley , <i>Insurance and Risk Manager</i>
Mid-Year Treasury Management Update 2021/22	Andrew Vallance , <i>Head of Finance</i>
Draft Treasury Management Strategy 2022/23	Andrew Vallance , <i>Head of Finance</i>
Draft Capital Strategy 2022/23-2026/27	Andrew Vallance , <i>Head of Finance</i>
Internal Audit 2021/22 Progress Report	Catherine Hickman , <i>Lead Specialist Audit and Investigation</i>
Work Programme	Panel clerk

MEETING: 17th FEBRUARY 2022

ITEM	RESPONSIBLE OFFICER
2022/23 Internal Audit Plan	Catherine Hickman , <i>Lead Specialist Audit and Investigation</i>
Work Programme	Panel clerk

MEETING: 19th MAY 2022

ITEM	RESPONSIBLE OFFICER
2021/22 Annual Audit and Investigation Report	TBC
Work Programme	Panel clerk

ITEMS SUGGESTED BUT NOT YET PROGRAMMED

ITEM	RESPONSIBLE OFFICER