28 MARCH 2022

ANNUAL GOVERNANCE STATEMENT - UPDATE

SUMMARY:

This report describes the work carried out towards the implementation of the actions defined within the Annual Governance Statement, which was presented to this Committee in July 2021.

RECOMMENDATION:

Members are requested to:

i. Note the progress towards the implementation of the actions detailed within the Council's Annual Governance Statement.

1 Introduction

- 1.1 The Council is required by the Accounts and Audit Regulations 2015 to prepare and publish an Annual Governance Statement (AGS). Reporting publicly on the extent to which we comply with our own Local Code of Corporate Governance including how we have monitored the effectiveness of our arrangements in the year and on any planned changes to our governance arrangements in the coming year. The AGS was reported to this Committee on 27 July 2021.
- 1.2 The review of the effectiveness of the Council's governance framework in 2020/21 identified areas for improvement to be actioned during 2021/22, which included the carried forward actions from the 2019/20 AGS. The progress against these actions is detailed within this report.

2 Progress towards actions within the Annual Governance Statement (AGS)

- 2.1 Members considered the AGS report (FIN21/17) which included a number of actions to be implemented during 2021/22 in response to Governance improvements identified in the AGS 2020/21.
- 2.2 This also includes the addition of the Audit Opinion 2020/21 revision as an action item for the Interim Audit Manager, which has been addressed in Report AUD2202.
- 2.3 The table below details the progress to date of items carried forward:

2019/20 Actions

Action	Target date for	Update on progress
	implementation	
Relationship Management and economic engagement plan: Develop relationship management approach and processes and economic engagement plan.	Revised date: July 2021	October 2020 The Covid crisis has provided an opportunity to substantial improve the data we have on companies and our engagement with them. We have been providing regular fortnightly Business Bulletins, using Social Media and a lot of direct contact via calls/meetings. A Rushmoor Business Conference was due to be held on 5 November 2020 but due to the second lockdown has had to be cancelled. Recruitment for an Economy and Growth Manager was unsuccessful, and we will be going back out to recruitment. This coupled with Covid has delayed development of the long-term plan and the roll out of the second phase of the engagement approach.
		February 2021 An appointment has been made to the post of Economy and Growth Manager with the candidate due to start on 29/3/21. The Covid crisis, grants process and development of our working with external partners has continued to build our database. However, the second phase of embedding relationship management across the Council will need to be undertaken once we are out of lockdown and have the new manager in place. The current focus has to be on immediate support to business and planning for recovery.
	<i>Revised date:</i> March 2022	February 2022 The development of a relationship management approach/ processes through an engagement plan has been formalised through the drafting of the Council's Strategic Economic Framework (SEF). This is due to be signed off by Cabinet in March 2022. The SEF sits below the Council's Business Plan 2022- 2025. The SEF notes that the council will: 1.1: Create and maintain a Key Businesses Account Management Programme

		1.1.a) The council will establish and maintain a CRM (Client Relationship Management) system to help coordinate dialogue with businesses. Both actions are underway within the Economy and Growth team which has now been recruited. The Council's key businesses have been identified, relationships mapped and the Economy and Growth Team is systematically seeking to engage those businesses. A CRM has been developed and is being used by the team to capture business interactions. We are engaging other business facing teams in the council to explore how information on business engagement can be captured and shared across services - where data sharing agreements allow.
Implementing a Capital Strategy to comply with the revised Prudential Code and the Treasury Management Code of Practice (<i>b/f from previous year</i>):		
Finalise development of the Asset Management Strategy which supports the approved annual Capital Strategy	<i>Revised date:</i> December 2020	October 2020 An Asset Management Strategy is being developed based on the Asset plans reported through the quarterly monitoring to PIAG. This will cover the significant commercial property assets, with additional work required in Q3 2020 to include non-commercial assets.
	<i>Revised date:</i> June 2021	February 2021 Government implemented changes to the PWLB lending terms on 26 November 2020.
		In summary, the Government's new lending terms are designed to prevent local authorities from using PWLB loans to buy commercial assets primarily for yield. The Government's intention for PWLB loans is that they should be used to pursue service delivery, housing, and regeneration activities
		CIPFA announced consultations on the Prudential Code in February 2021 which will also have an impact (consultation responses due April 2021)

		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".
		CIPFA is interested whether this statement and its implications are clearly understood. There is a proposal to change "purely" to "primarily" and to provide some additional guidance
		The Council's Capital Strategy (FIN2105) complies with the new PWLB lending rules. The Commercial Property Investment Strategy will be updated during 2021/22 to ensure compliance with the new lending rules and will need to take into account the proposed changes to the Prudential Code.
		The Asset Management Strategy will be a priority in the coming months as will be how the resource allocation within the Capital Strategy decision making interfaces with this.
	<i>Revised date:</i> July 2022	March 2022 Issues regarding Capital and Investment need to be considered in the light of the overall Capital Strategy, Treasury Management Strategy and Asset Management Plan. The need for a separate Capital and Investment Strategy given the Council will purchase for regeneration or invest into its existing Portfolio is now questioned. This will be reviewed following completion of the Asset Management Plan
Development of formalised reporting criteria (financial and non-financial measures) in relation to the Council's Investment Property portfolio	<i>Revised date:</i> March 2021	October 2020 Q2 reporting to PIAG in September 2020.
		Further work on the wider Council debt monitoring process is being undertaken led by Executive Head of Finance. Due Q4 2020.
		The Overview and Scrutiny Committee reviewed the Property Investment Portfolio in October.
		February 2021 Ongoing work on the wider Council debt monitoring process is being undertaken

	Implemented	Ied by Executive Head of Finance. Due Q4 2021 – On TargetReporting of Investment Property Portfolio to PIAG meeting on 23rd February 2021Property Investment Strategy being revisited following November 2020 Budget.March 2022 Quarterly reporting in place since February 2021
Due to the Covid-19 pandemic the number of staff working from home remotely has substantially increased therefore increasing the information risk exposure this creates for the Council. The increase in information risk exposure due to home working will be reviewed by the Information Governance Group. The information governance policy has been implemented and mandatory online training will be put in place.	December 2020	February 2021. October 2020 The Information Governance Officer has updated the Information Security Policy and guidance to staff on working from home is available on the Intranet. Mandatory training is mitigating the risk as well as regular messaging to staff and managers. As we move forward to full adoption of the Office 365 suite and the systems upgrades through the ICE project information security will be strengthened.
		February 2021 The Information Governance Officer is a member of the Office 365 Project Team and her presence ensures information governance is considered in every phase of the project. The Windows 10 project is progressing but there has been a delay in deploying replacement laptops, due to worldwide component shortages. The council has extended support for its Windows 7 laptops (including Sophos antivirus software), which are being updated by the end of March 2021. The W10 new laptops will be rolled out from March 2021, however at a slower pace due to current government C19 lockdown restrictions and testing regime required.
	<i>Revised date:</i> June 2022	March 2022 When Office365 was implemented across RBC governance policies were not develop and applied which needs rectifying. The main aim of this to ensure that the Council's data is protected, retained and handled appropriately.

		Currently engaging with an external party to provide a set of activities for a Data Protection Pilot to help focus on how to control sharing of a sample data set stored in Office365, assisting in the definition of internal policies providing technical advice and design of technical controls to implement agreed policies. In addition to provision a set of activities for an Information Governance Pilot that will help to focus on retention requirements for a sample data set from the pilot department which will assist in the development of a corporate retention policy and to map this policy to technical controls available in Office365. Outcomes of these pilots can then be assessed and applied across the rest of RBC, if agreed.
Concerns have been raised regarding	December 2020	October 2020
the Council's systems and procedures for recording and monitoring commercial property (rental) income. Timetable for implementation of Property System and review of the Finance system processes (Sales Ledger) will need to be agreed.	<i>Revised date:</i> March 2021	Further work on the wider Council debt monitoring process is being undertaken led by Executive Head of Finance. Due Q4 2020. February 2021 Improved reporting through Integra Sales Ledger module with changes made to the way data on properties/debtors are held to improve monitoring. Regular reviews of debt taking place. Implementation of Property Management System (PMS) due in 2021/22. February 2022
	<i>Revised date:</i> June 2022	Improved reporting and revised invoicing timings have generally improved rent collections and the timing of this is Qtr Day post 7, 14, 21 & 28. Day collection figures show higher rates in 2021/22. Concerto is due to 'go live' for Q4 alongside Integra to test resilience on required invoicing and, with integration in place between systems, to test links intended to correctly reflect debt positions both in Q4 and on Aged Debt in Concerto. Further integration work for Purchase Ledger/PO's in hand but requires additional funding to conclude and will be required for full rollout of Repair & Maintenance and Compliance

		Modules - also due to go live in Feb/March 2022.
Continue to act commercially in a more uncertain economic environment which will require revised assessment analysis appraisal to be carried out for the risk and return. Consideration will be given by the Finance and Commercial Recovery workstream to ensure there is synergy between the commercial way forward and the objectives of the recovery workstream.	December 2020 Revised date: September 2022	 October 2020 Appointment of Commercial Manager confirmed September 2020. Budget Strategy report to Cabinet (October 2020) set out the way in which the 2020/21 budget will be approached in light of Covid-19 pressures. Further report to Cabinet in December 2020. February 2021 Action being incorporated into the updated Savings Programme As set out in the Revenue Budget, Capital Programme and Council Tax Level 2021/22 report to Cabinet in February 2021 (FIN2106): 5.7 The Council is developing a revised approach to its Savings Programme that seeks to address the funding gap identified in the MTFS. The programme will include a revised process for how savings are identified, evaluated and approved, with clearer reporting and monitoring and governance arrangements. This new approach will be approved during March 2021, to then be implemented to cover the new MTFS period March 2022 This is being addressed through the Council's Savings and Transformation Programme. An overview on the approach was set out in Appendix 4, Section 5 of the Revenue Budget, Capital Programme and Council Tax Level report to Council in February 2022.

2020/21 Actions

Action	Target date for	Update on progress
Action The Council faces a significant funding gap over the Medium-Term Financial Strategy period.	Target date for implementation December 2021	Update on progress The Council is working on a Cost Reduction and Efficiencies Programme (CREP) to identify cost reductions and additional income for the new MTFS period. A detailed design for the programme was agreed by Cabinet in March 2021 with significant work undertaken by Heads of Service and Service Managers to identify opportunities and lines of enquiry that will be validated and considered by members during 2021-22. The Assistant Chief Executive (as project sponsor) and the Executive Head of Finance (as Section 151 Officer) will provide support to the programme to
	<i>Revised date:</i> July 2022	enable members to consider options to close the funding gap. <u>March 2022</u> Council approved the 2022/23 Revenue Budget and considered the MTFS at their meeting on 24 February 2022. The budget and MTFS included CREP opportunities with savings of £478k identified for 2022/23. The MTFS shows a significant funding gap remains across the MTFS and the Budget report to Council outlined the approach to be taken with the Savings and Transformation Programme (STP) to
Compliance with the CIPFA Financial Management Code	March 2022	address the funding gap. The Executive Head of Finance will undertake an assessment of the Council's compliance with the CIPFA Financial Management Code during Q3 2021 and prepare an Action Plan on matters or areas for improvement. These will be included in subsequent reports to the Corporate Governance, Audit and Standards committee as part of the update on the Annual Governance Statement Action Plan.
External Audit have yet to provide an opinion for the 2019/20 accounts.	Revised date: April 2022 November 2021	March 2022 An assessment by the Executive Head of Finance against the CIPFA FM code is planned for March/April 2022 The Executive Head of Finance will ensure that the necessary information is provided to the external auditors to

		enable them to finalise their opinion on the 2019/20 accounts.
	<i>Revised date:</i> June 2022	March 2022 The external audit opinion has not yet been received. Expectation is this would be provided by June 2022.
Audit Opinion does not align with the AGS	March 2022	Audit Manager to revise the Audit Opinion from "no opinion" to a "limitation of scope opinion" in line with CIPFA guidance issued on 19 November 2020 and following recommendations from a CIPFA adviser.

- 2.4 Services have balanced the impact of the Covid-19 pandemic and other external factors to achieve progress on the actions detailed within the AGS 2019/20 and 2020/21.
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HEAD OF SERVICE: David Stanley, Executive Head of Financial Services

References:

Annual Governance Statement 19/20 – reported to LA&GP Committee 28 July 2020.

Annual Governance Statement – update report to LA&GP Committee 23 November 2020.

Annual Governance Statement – update report to CGAS Committee 27 September 2021