

# Annual Governance Statement 2018-2019

## Introduction

As Leader and Chief Executive we are acutely aware that everything the Council does relies upon a foundation of solid governance. We are charged by government to run the Council efficiently, effectively and economically. As a resident, you will want reassurance that proper systems are in place, not only to deliver the vital services on which you depend, but also that everything in the background is running properly, as it should.

We present this Annual Governance Statement to explain how we deliver on these expectations, to outline what we have achieved in the last year and tell you about the improvements we are currently working on. We hope that in reading this Statement you will be encouraged to explore further the work of your Council. You can read all of the documents to which we refer on our website. You can visit a Council Committee to see how we do business. You can discuss any of these matters with your local councillor.

## The Council's vision for the Borough

The Council has a Corporate Plan. The last plan covered a considerable period of change from 2016-2019 and it put Housing to the top of the Council's list of priorities. We have delivered on the aspirations of the last Corporate Plan and we published an Annual Review document last year to explain in plain English and infographics the work which we have done.

The Corporate Plan feeds into the business plans of the different Council Services so that the organisation pulls in the same direction.

A new Council was elected in May 2019 and we will now proceed to produce a new Corporate Plan. However, there are a number of big issues which we are currently dealing with and all of these contribute to the way the Borough will look and feel in the future:

- **Housing.** We have a serious ongoing problem to provide our residents with affordable housing. We have started to address the problem by building houses and by setting up a new housing company Knowle Green Estates Ltd. We will review the purpose, corporate structure and governance of this company in the next year.
- **The Local Plan.** This is being reviewed and we encourage you to find out more about the changes this could bring. The Government is asking us to house more people and build more properties than ever before. This is a huge challenge in an urban area with a lot of Green Belt. We have to consider if we build higher density developments in our town centres or give up some of our Green Belt.
- **Heathrow Airport expansion.** The implications of this development are enormous. If you have not reviewed the information published by Heathrow Airport then we would encourage you to do so. This is not just a third runway, there is a wholesale change in the way in which the Airport will operate. The scale of development is unprecedented. You will be affected one way or another no matter where you live in the Borough because the effects on

transportation, congestion, pressure on housing, flight paths will be widespread. Although we have supported Heathrow's economic success in the past, we have always said it cannot come at any cost. We have issued a series of demands to Heathrow and we will continue to fight for you as the development enters its next stage of consultation.

- **Southern Light Rail.** For years the infrastructure needed for improved rail transport into Heathrow has not been delivered by the Airport or Network Rail. The Council now believes there is a credible and affordable option to promote a sustainable light railway to link Staines station to Heathrow. We think this option could be privately funded without taxpayer subsidy. If this could be built, this would encourage more people to leave their cars at home and provide better transport links for Airport workers. We will continue to explore this with Heathrow, Network Rail and the Department of Transport.
- **Town Centre Regeneration.** It is clear that there are changes in the way people shop and spend their time in town centres. We are determined that our town centres will not suffer. We will take steps to plan for the vibrant places you will want to visit. In the last Council we made improvements in smaller shopping parades as these also mean a lot for the quality of life of local people who use them.
- **Sustainability.** We have an Energy & Water Efficiency Policy (2015-2020). We have increased our renewables capacity with solar PV installations on 2 of our Day Centre's – produces 15% of the energy used by both sites. We are looking to install PV on other sites in the future. We have a continuing requirement on all new development to source 10% of the energy used onsite from renewable generation. We have provided EV charging provision at two of our public car parks (and one for staff at Council Offices) we are actively seeking opportunities for further funding to roll out charging infrastructure across the Borough. We continue to support residents in Fuel Poverty through the utilisation of Energy Company Obligation (ECO) Grant funding and a small capital fund (£30,000). The funding enables households in fuel poverty to cut their bills and reduce carbon emissions through installing energy efficiency measures. We have developed a Single-use Plastics Policy & Strategy being put forward for approval in June 2019

## How we run the Council

The Council is managed by professional staff and governed by democratically elected councillors. There is a clear demarcation of roles and numerous systems and processes in place to make sure that things get done properly:

- **Constitution.** The Council reviewed its primary governing document during the last administration. It remains a modern and effective document. We will review it again during the course of this administration.
- **Policy Framework.** We have a number of important policies which are changed only by a majority of all councillors. These are reviewed regularly. The most important policy is the Local Plan and this is being reviewed at the present time.

- **Governance Framework.** We adhere to standards jointly published by the Society of Local Authority Chief Executives (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA). These standards are adopted by most councils. We reviewed the framework in 2018 and we will keep it under review during the new Council administration.
- **Scrutiny of decisions.** Although the majority of decisions are made by the Cabinet or delegated to staff there are structures in place to hold these to account. We have an Overview and Scrutiny Committee and an Audit Committee which have cross party representation to review our performance and the quality of our decisions. As we have become financially self-sufficient as a result of our commercial property investments there is now more focus on how these decisions are made and the risks around property management. We will review or approach to this during the new administration.
- **Knowle Green Estates Ltd.** As our wholly owned company becomes more important in the delivery of our housing targets, we will ensure that it has independent auditors and that such audits feed into the Council's overall audit.

## How we manage the finances

Nothing can happen in the Borough unless there is the money there to provide it. We have successfully delivered a programme of financial change. Our programme in the previous Council, *Towards a Sustainable Future*, delivered the sound basis on which we now proceed.

- **Commercial Property Investments.** Thirty percent of the money we need to run the Council and provide services for residents now comes from our commercial property investments. It is essential that these investments work for us and that we protect those investments for the long-term. We have a range of measures in hand to ensure that this happens. We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1billion portfolio. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why and how they are protected. We will continue this dialogue.
- **Capital Strategy.** In February 2019 we published our first Capital Strategy which is a plain English document explaining council borrowing and spending. It describes where we have come from, what we are doing with commercial property and how we are now subsidising provision of affordable housing. The Strategy also has a plain English Executive Summary to make it even more accessible for residents and it is backed up with technical appendices which explain the detail behind the strategy. We encourage you to read it. We will keep this document up to date so that it always explains what we are doing and how we are doing it.
- **Systems of internal control.** Apart from the headline making investments and the multi-million pound housing schemes, the Council has to have adequate systems in place to effectively manage risks, ensuring the day-to-day running of the business and the sound management of cash-flow. Managers are responsible for operating adequate systems of internal control to effectively manage risks within their Services, giving due consideration to

fraud risks. We have a Chief Finance Officer (CFO) who oversees these systems and they are regularly audited. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by the Cabinet and Overview and Scrutiny and these papers are published on our website for you to read. We have a Medium Term Financial Plan and we review our finances against this. The CFO is a member of the Council Management Team.

### **How we ensure we are listening to you**

- **Consultation with residents.** Many of our policy changes require formal consultation with residents. In other cases we consult informally to understand residents' priorities. In the last year we changed our approach on the building of a new replacement leisure centre as a result of public feedback. As we develop new facilities we will continue to consult with the most appropriate methods. We will publish details of all consultations on our website.
- **Channels of communication.** The Council has a number of ways it can engage with residents. We are always reviewing the most appropriate ways to communicate. We have appointed a new Communications Manager and will review our approach in this next year.

### **How we are accountable**

The Council is a democratic body and the powers which we exercise are derived from the electors. There are numerous systems in place to allow members of the public to get information, ask questions, challenge the Council and get involved. Ultimately the entire organisation is governed by residents just like you. This gives the Council tremendous strength in deciding what needs to be done in the Borough and how we prioritise scarce resources for best effect. You can consider some of the many ways to get involved:

- Speak to your ward councillor or the Cabinet member responsible for the issue
- Complain about services you think are not performing ( our complaints policy was reviewed and updated in 2017/18)
- Request information through Freedom of Information
- Ask questions at Council
- Present petitions
- Speak at Planning Committee about applications in your neighbourhood
- Join your local residents association

Almost all of the information you need can be found on our website and we only restrict publication of very limited material where there is good reason such as data protection rights of individuals or commercial confidentiality.

### **How we promote high standards in public office**

The Council has a dedicated Members' Code of Conduct Committee. This Committee is guided by an Independent Chairman and Vice-Chairman. In the last year we also have recruited Independent Persons who are consulted on any complaints against councillors to say whether they should be investigated.

We have numerous policies and procedures in the Constitution to back up a strong ethical approach to local government. In the last year we received two complaints about councillors. One was considered insufficiently serious to warrant the expenditure of public funds on further investigation. One was referred for independent investigation and the outcome is awaited.

In the last year we have reviewed the Council's policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors.

## **How we learn and improve**

### **Internal audit**

The Council has an internal audit team which provides independent assurance to management and the Audit Committee on the adequacy of Council Services, systems and processes. This team has an internal audit plan which is discussed and agreed each year by the Audit Committee. The internal team operates to the Public Sector Internal Audit Standards. The effectiveness of internal audit is reviewed annually and an external quality assessment undertaken once every five years, with a review being undertaken in 2018/19.

The internal audit team works closely with the Council's external auditors.

Every year, the Internal Audit Manager issues an independent opinion in an annual report on the adequacy of the authority's internal control environment. This comments on the risks facing the Council and the adequacy of the Council's arrangements to manage those risks. It represents one of the key assurance statements the Council receives.

During 2018/19 the Internal Audit Manager reported on ten areas of which one was deemed 'effective' (satisfactory) and five were assessed as requiring 'some improvement', these five all being core financial systems. Of the remaining four areas reviewed, a total of 2 areas were identified as high risk or requiring 'major improvement', neither of which relate to core financial systems. For two out of the ten areas reviewed no assurance opinion is provided as they relate to Audit status reports (include audit recommendations) or Audit Needs Assessment to inform future work programmes.

The Internal Audit Managers opinion for 2018/19 is that the Council's internal control environment and systems of internal control in the areas audited were generally adequate, with the exception of the areas where improvements were recommended to address medium to high risks

The Council maintains a Corporate Risk Register, which is coordinated by Internal Audit and which is reported regularly to Management Team, Cabinet and Audit Committee. The Corporate Register identifies and evaluates the key corporate risks facing the Council, the mitigating measures in place, and tracks outstanding issues to address risks.

In 2018/19 this review highlighted the following areas which we will work on next year to improve the situation.

- **Policies and Procedures.** Some are out of date and need to be updated.

- **Housing Benefit Overpayments.** This is a challenging and complex area to recover money which is owed to the Council and so a number of measures to improve monitoring have been identified
- **System administrators.** There is an issue with segregation of duties which exposes the Council to risk if not mitigated by offsetting measures.
- **Independent review of key financial reconciliations and management oversight.** There needs to be improved controls to ensure discrepancies and miscodings are promptly identified, investigated and addressed.
- **Project management.** A range of improvements are required on culture, training and methodology.
- **Rent management system for Bed and Breakfast homeless bookings.** System issues are leading to a significant level of aged debts and financial losses.
- **Procurement.** A range of improvements have been identified for this area which has recently been restructured.
- **Authorisation of large value payments.** An issue was highlighted on authorisation limits and payment processing.
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Full details of these findings and the management response to them are to be found on the Audit Committee pages on our website (July 2019).

### **External audit**

In February 2019 we received the long-overdue KMPG report on the 2016/17 accounts. The Council complained to KMPG about the way in which this audit was conducted and the time taken to complete it. KMPG did not give us any satisfaction on this complaint.

The external auditor made an adverse finding about our Value for Money arrangements in 2016/17. Whilst we usually want to agree all audit findings and offer a way forward for improvement we were forced to take issue with KMPG on this occasion. The auditor picked up four points in relation to the way that the Council bought the BP campus in 2016. Notwithstanding the validity or otherwise of these comments, the Council did not agree that together they affected the overall Value for Money offered by the Council.

Full details of the Auditor's report and the Council's response can be found on our Audit Committee webpage for February 2019.

KMPG have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is also overdue. The Council has repeatedly pressed KMPG for this matter to be resolved as a new auditor (BDO) has now been appointed for the Council by the independent Public Sector Audit Appointments body BDO will take over the audit of the Council's accounts for 2018/19 and we look forward to a positive working relationship with them.

## How we learn from complaints and feedback

The Council is always keen to hear from residents and staff about how it can deliver better services to residents. We have a number of procedures in place for this.

- Our Complaints procedure is working well after a review in recent years.
- We have a staff whistleblowing procedure which will be reviewed in the next year.

Our annual feedback letter from the Local Government and Social Care Ombudsman reveals that we have a static low level of the more serious type of complaints which are referred to the Ombudsman.

## How we will deal with significant governance issues

We consider that these are the major issues for us to deal with in the next year:

- **Investment Assets portfolio management.** We have a £1bn property portfolio and we need proper staff capacity and resource in place to manage it, reduce risk and deliver the benefits from it. We will continue to increase the team and strengthen governance.
- **Building the homes residents need.** We will strengthen all aspects of procurement and project management to ensure that we can deliver the projects which are envisaged by the Capital Strategy. We will ensure there is appropriate oversight and scrutiny of these projects.
- **Delivery of local government.** Given the cuts made by Surrey County Council and the financial position of our key partner, we will continue to monitor their cuts on delivery of services to our residents. We will continue to speak up for Spelthorne.

## Conclusion

We think that Spelthorne is a special and unique place. We are dedicated to providing the very best public services for you. In the last five years the Council has changed. We have evolved from a medium sized borough council reliant on central government funding, to become a leader in our sector. We have secured the financial future of the Council. We have protected you from cuts to services and also shielded you from cuts made by Surrey County Council. We now “punch above our weight” and we think that this is something you can take pride in. As we deal with the challenges of the next five years you can be assured that we are doing so from a solid foundation. We have the finances, the people, the systems in place to deliver for you. We encourage you to find out more.

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Cllr Ian Harvey  
Leader of the Council

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Daniel Charles Mouawad  
Chief Executive