

Annual Governance Statement 2021-2022

Introduction

As Leader and Chief Executive, we are acutely aware that everything the Council does relies upon a foundation of solid governance. With the COVID-19 pandemic continuing into a second year it meant that 2021-22 was another particularly challenging year for the Council. However, through proactive leadership and a dedicated workforce we continued to deliver services and support for our residents and businesses, as well as delivering several significant projects including a single person homeless facility, a 20-unit scheme for emergency accommodation for families, affordable rental units at the Council offices, and an incubator for small and fledgling businesses.

We are charged by government to run the Council efficiently, effectively and economically. As a resident, you will rightly want reassurance that proper systems are in place and running properly to deliver the vital services on which you depend, and we are pleased to present this Annual Governance Statement to explain how we deliver on these expectations, to outline what has been achieved over the last year and tell you about the improvements we are currently working on. We also set out action taken in the year to address any significant governance issues identified in the previous year's Governance Statement (2020/21).

In May 2021 the Council, following consultation, moved its governance system from a Cabinet/Leader model to a Committee model. Although there have been a few teething issues associated with this, these are being addressed by a Constitution Review Group, which with recommendations being approved at the Annual Council meeting on 26 May 2022. Overall, however, we believe that the move to a Committee system has made our decision-making processes more transparent.

We have approved a new Corporate Plan, setting out the Council's priorities and values. www.spelthorne.gov.uk/corporateplan

We hope that in reading this Statement, you will be encouraged to explore further the work of your Council. You can read all the documents to which we refer on our website and view Council meetings online to see how we do business. You can also discuss any of these matters with your local Councillor. www.spelthorne.gov.uk/article/16502/Your-councillors

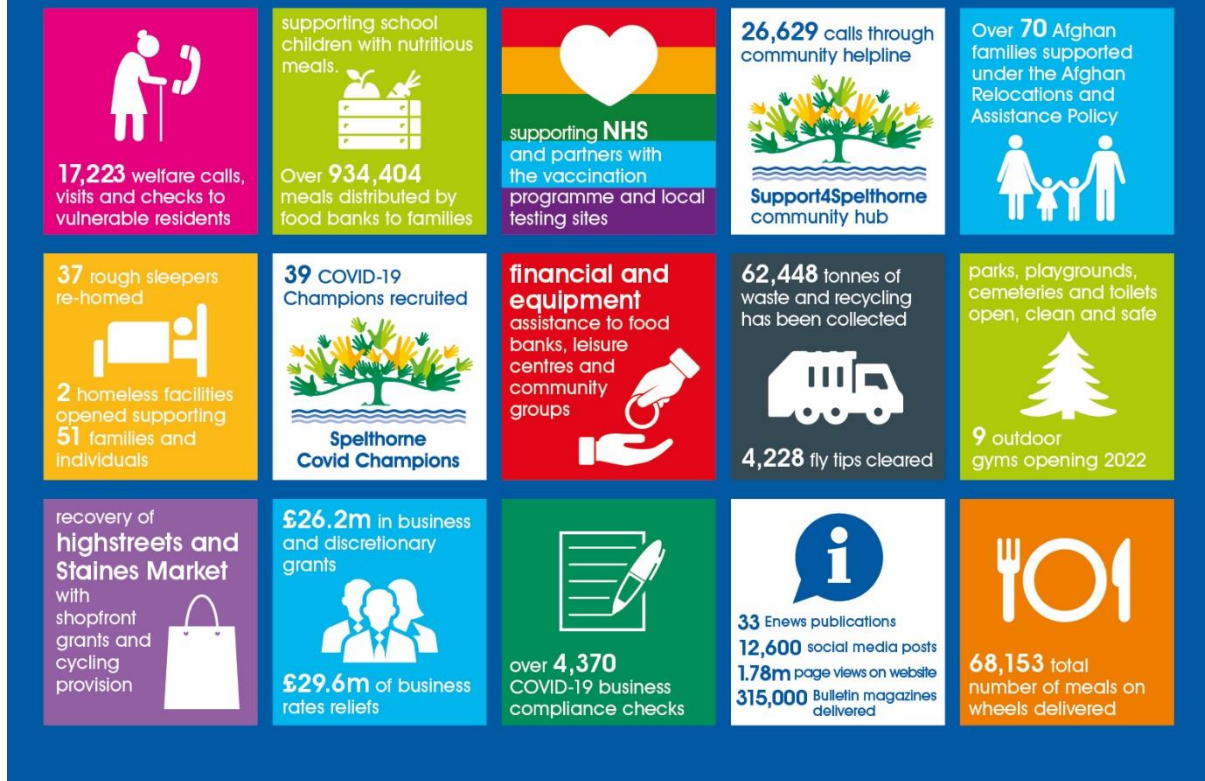
COVID-19

The overwhelming challenge for us in the past year has been responding to the COVID-19 pandemic and managing the ongoing uncertainty; in particular, monitoring Council activity where the impact of the pandemic has been most prevalent. We continued to adapt well to the change of working environment and ensured, despite these challenges, that we continued to deliver a high level of service.

One of the significant ongoing benefits for our staff, arising from the impact of the pandemic, is the new hybrid working policy, which allows officers the flexibility to work from home or come into the office, which is helping the Council to reduce its carbon footprint and to work more flexibly.

Some headlines from our COVID-19 response over the two years 2020-21 and 2021-22 are summarised below:

COVID19 - Spelthorne's response: March 2020 - March 2022



In reflecting on the above we also recognise the phenomenal contribution of nearly 1,000 volunteers supporting us during the COVID-19 years.

The Council's vision for the Borough

The Council has during the year approved a new Corporate Plan for the period 2021-23. The Plan sets our five key priorities, under the acronym CARES:

Spelthorne Borough Council Priorities: 2021 - 2023



To put our communities at the heart of everything we do, building strong relationships with our residents and businesses, and helping to forge links within those communities, so that they feel empowered, included, supported, safe and healthy.



To deliver housing which meets the needs of all sections of our communities, building new homes, helping people to stay in their existing accommodation and ensuring that none of our residents are homeless.



To provide support and guidance to our residential and business communities to enable them to recover from the significant effects of the COVID-19 pandemic.



To work with our communities and partners to minimise our effects on the environment, play our part in tackling the threat of climate change and to maintain a clean, green and attractive Borough, which recognises and protects biodiversity.



To deliver efficient and effective services which meet the changing needs of our communities, adapting to meet new challenges, new ways of working and different ways of interacting with our communities.

C A R E S

The Corporate Plan also sets out the core values of the Council under the acronym PROVIDE. A set of organisational values defines the guiding principles and the culture of the Council and explains how the Council will act to achieve corporate priorities and objectives. The Council's values apply to all Officers and Members. These will be followed by a set of defined organisational behaviours to supplement the core values.

Spelthorne Borough Council Values: 2021 - 2023



P R O V I D E

The Corporate Plan will feed into the future service plans of the different Council Services so that the organisation pulls in the same direction and delivers for our residents.

The Corporate Plan will take account of the following types of issues for the residents of Spelthorne, all of which align closely with our corporate priorities:

- **COVID-19** - Ensuring that the Council delivers an effective recovery plan to help its communities, businesses and the Council itself to recover from the impacts of the COVID-19 pandemic. It is going to take a few years for a full recovery to be made and this is further exacerbated and influenced by wider externalities, such as the macroeconomic environment (in particular inflation and the rising cost of living) and the geo-political uncertainty arising from the war in Ukraine.
- **Housing** - The Council has an ambitious plan to address the issue of affordable housing in our borough, particularly for key workers. We have started to address this issue by building affordable rental homes and by setting up a housing company, Knowle Green Estates Ltd. (www.knowlegreenestates.co.uk). In February 2021, the Cabinet agreed the transfer (which was reviewed by the Overview and Scrutiny Committee) of Benwell House phase 1 (a mixed affordable rental, key worker and private rental scheme) and Knowle Green-West Wing (25 affordable rental units, including one fully adapted for disability living) from the Council to Knowle Green Estates. The Benwell Phase 1 scheme was completed in May 2021 and is fully occupied with 55 residential units (with 60% affordable rental, 20% keyworker rental and 20% private rental). The West Wing Scheme was completed in December 2021 and provides 25 affordable rental units. There is an annual Housing Delivery Action Plan in place which looks at measures we can undertake to improve the level of housing overall, including affordable housing.
- **Local Plan** - The publication version of the new Local Plan includes policies which look to increase the requirements from developers for affordable housing quite considerably – with 30% required on previously developed land (brownfield) and 50% on greenfield land (green belt). Over the plan period this will deliver a minimum of just over 2,000 much needed affordable homes (more will be delivered as a result of the Council's approach to delivering a minimum of 50% share on all its schemes, subject to the viability of each scheme).
- **Town Centre Regeneration** - During 2021-22, progress on some of the schemes in the Council's residential delivery pipeline was delayed due to Councillors' desire to seek to address local Staines residents' concerns about the heights of some of the developments. This has had financial impacts, as each month of delay has a cost of approximately £170,000 (Q4 Revenue Monitoring Report noted by Corporate Policy & Resources committee on 11 July 2022). However, subsequently both the Oast House and Thameside House schemes have been approved by Councillors for onward progression to the planning application stage. Looking ahead, a key challenge for the housing and regeneration programme will be construction inflation.
- **Sustainability** - The Council is committed to continuing to address climate change, with work on understanding the issues through energy audits of key Council offices and fleets, and a carbon trajectory report for Spelthorne. We have purchased electric mopeds for the car parking team and installed solar panels at the Council's Nursery site. In relation to fuel poverty, we have also secured £9.2million funding from the Local Authority Delivery Scheme for a Surrey wide initiative to deliver home energy retrofits for low-income households. We have continued our fuel poverty work and undertaken 64 efficiency measures to households in need, resulting in a saving of 45.9 tonnes CO₂. Planning permission was gained for a flagship ultra-low energy use (Passivhaus) leisure

centre in Staines-upon-Thames. Energy efficiency measures and solar powered charging and electric points will be included in our Victory Place development in Ashford. We have worked with other authorities in Surrey to seek funding and improve best practice in developing climate change measures. The Council is proactively participating in the Development Consent Order process for the River Thames Scheme, which will mitigate the impact of flooding in the Borough. We have planted a number of new trees across the Borough as we look to reduce the residents' carbon foot print.

- **Refugees** - During the year, the Council's Community Wellbeing and Housing Committee approved a Refugee policy and we welcomed both Afghan and subsequently Ukrainian families into the Borough. Spelthorne is providing support to Afghan families in holding accommodation and has also, so far, found 3 long term homes through private landlords for two families within the Borough. The Council is supporting the Homes for Ukraine scheme. At the time of writing, 62 individuals from Ukraine are being hosted in households across the Borough.

How we run the Council

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

- **Constitution.** This document remains a modern and effective document. (<https://democracy.spelthorne.gov.uk/ieListMeetings.aspx?CId=209&Info=1&MD=constitution>) This has been reviewed as part of the Council's move to a committee system of governance since May 2021 and there is a commitment to continue to review the system to ensure best practice and transparency for our Members and for the community.
- Amendments to the Constitution are approved through our Members sitting together in full Council. This is an ongoing process for us and will take account of implications from the new committee structure as it becomes embedded and of any relevant events and potential legislative amendments, as and when they happen.
- **Policy Framework.** We have several important policies which are approved 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). We ensure that these are kept under review.
- **Scrutiny of decisions.** In May 2021, the Council moved to a committee system with scrutiny built into the role of the service committees. This means the Council ceases to have a separate Overview and Scrutiny Committee. As part of the move to the new Committee system and in accordance with the recommendations made by the Redmond Review and recommended best practice, the Council appointed an independent lay member to the Audit Committee to bring additional experience and expertise to this aspect for the Committee and improve our governance processes.
- **Report contents.** Officers have been reviewing the standard format of our reports submitted for consideration and determination. In response to Members' legitimate observations, a new category of heading for all our reports has been added; namely of "risk". This will lead to transparency of thinking and greater clarity.

- **The role of the new Policy and Resources Development Sub-committee**
As a result of our strategic property investment that generates funds to support our regeneration, housing, services and green initiatives and contributes towards the Revenue Budget, there continues to be a focus on how these decisions are made and the risks around property management. A new 'Development Sub-Committee' of the Corporate Policy and Resources Committee was set up in early 2021-22 to deal with certain decisions relating to the investment portfolio, to enable timely decision making and to act as the programme board for the Council's residential schemes and property developments signing off gateway stages.

County Deal (bid by councils to have additional powers devolved to the county area of Surrey and to facilitate more efficient cross council working) – having evaluated the proposed approach to the County Deal with a presentation by the County Leader, the Corporate Policy and Resources Committee voted in April 2022 in favour of the Council positively engaging in the process to help shape the proposed County Deal

Knowle Green Estates Ltd (KGE).



Knowle Green
Estates Ltd

KGE is registered with Companies House as a private limited company under registration number 10170860. It was incorporated in May 2016.

It has its own formal governance arrangements maintained through Companies House. The nature of its business is the managing on the long-term basis residential units (mainly affordable and keyworker) within the Borough. As KGE is the Council's 'wholly owned company', the Council ensures that its statutory governance formalities are being fully complied with. Its next statement of Accounts is due to be filed by 30th December 2022, and its next Confirmation Statement by 22nd May 2023.

Given the nature of the company and the importance of delivering our housing targets, we have ensured that it has independent auditors and that such audits feed into the Council's overall Statement of Accounts. In December 2020, two experienced Non-Executive Directors, were appointed following a competitive recruitment process. During the year Knowle Green Estates published its first Annual Report.

The Knowle Green Estates accounts are independently audited and received a clean audit for 2020-21 (2021-22 is about to be audited), as well as being reviewed by the Council's external auditors when they audit the Council's consolidated Group Accounts. In autumn 2021, the directors attended a meeting of the Corporate Policy and Resources Committee to provide an update on progress and to respond to councillors' questions. The draft Statement of Accounts for the Company was also presented to councillors (subsequently a clean audit opinion was issued).

Spelthorne Direct Services Ltd (SDS):



SDS is registered with Companies House as a private limited company under registration number 12700913. It was incorporated in June 2020.

As with KGE, it has its own formal governance arrangements maintained through Companies House. The nature of its business is the collection, treatment and disposal of non-hazardous trade waste with combined facilities support activities.

As SDS is the Council's 'wholly owned company', the Council ensures that its statutory governance formalities are being fully complied with. Its next Statement of Accounts is due to be filed by 31st December 2022 and its next Confirmation Statement by 12th July 2022.

SDS accounts are independently audited. It received a clean audit opinion for 2020-21 (2021-22 about to be audited).

Corporate Peer Review

During 2022-23 we are looking to invite the Local Government Association to undertake an independent Corporate Peer Review acting a 'critical friend' with experienced local government officers and an experienced Leader reviewing our governance, financial arrangements, significant risk areas, how we engage with our communities and ensure we understand and address their needs etc.

How we manage our finances

Sound finances underpin all services the Council provides. We have successfully delivered a programme of financial change. Our previous, *Towards a Sustainable Future* programme, delivered the sound basis on which we now proceed.

- **COVID-19.** The overwhelming challenge for us in the past year has been responding to the COVID-19 pandemic and managing the ongoing uncertainty this created. In particular, monitoring Council activity where the impact of the pandemic has been most prevalent. We continued to adapt well to the change of working environment and ensured that we maintained a high level of services.
- **Commercial Property Investments.** We have already strengthened our staff resources and implemented changes to our governance systems to ensure that we are proactively and professionally managing this £1 billion portfolio, which the Council is holding for the long term. We will continue to do this. We have been open and transparent with residents' associations about what we are doing, why we are doing this and how they are protected. We will continue this dialogue. In response to the challenges of COVID-19 the Council put in place weekly review meetings, involving both senior councillors and senior officers, to assess our performance in collecting commercial rent. The Council's portfolio performed very well in terms of rental voids and rent collection. Our rental voids are approximately 6% per annum, compared with a national average of 19% (Investment Property Database) with 99.8% of the commercial rent invoiced for 2022/22 collected.

The Council has continued its strategy of mitigating future risk by setting aside a proportion of rental income into sinking funds to ensure that, if required, the Council has funds to offset short term dips in rental income. At the end of 2021-22, the Sinking Funds Reserves balances had increased to £33.6m. Thirty percent of the money we need to run the Council and provide services for residents now comes from our investment 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 (in 2021-22 we collected 99.98% of the rental income invoiced for our investment assets). Whilst we maintained an extremely good collection rate for our investment income in 2021-22, we recognise that the longer term impacts of COVID on the economy may result in a greater turnover of tenants etc, we are addressing this by producing business plans and reviewing our sinking funds approach.

- **Capital Strategy.** In February 2022, the Council approved its updated Capital Strategy, including our use of the sinking funds and our business plans, which is a plain English document explaining council borrowing and spending. It sets out the current priorities, which focus on housing and homelessness, regeneration and economic development, green initiatives and climate change. Affordable housing is a particular issue, with the private sector only delivering 11% of all unimplemented planning permissions (2022) which was affordable. The Council has committed to ensuring that Council schemes deliver at least 50% affordable units. 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 <http://www.spelthorne.gov.uk/capitalstrategy> . We will keep this document up to date so that it always explains what we are doing and how we are doing it.
- **Reserves Strategy.** The Council annually reviews and refreshes its Reserves Strategy to ensure it has prudent and appropriate arrangements for setting funds aside into reserves, to ensure that the Council can manage any unexpected fluctuations. During 2021-22, the Council is undertaking a review of its approach with a view to formalising a Strategy to setting aside funds into earmarked Sinking Funds for investment assets, intended to mitigate risks with holding such funds.
- **Systems of internal control.** Apart from the specific overview of the Council's investments and housing schemes, we have established systems and control processes 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 and accountable 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), also known as the s151 Officer, who oversees these systems, and they are regularly audited proportionate to the level of risk. Internal Audit findings are raised with management, and recommendations reported to the Audit Committee. There is regular budget monitoring by service committees and the Corporate Policy and Resources Committee, 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. In February 2022, we indicatively balanced the Budget for the next four financial years. However, we know the increasing inflationary pressures we are facing means that there will need to be more work to be done in the 2023-24 Budget process to generate additional budget headroom. The Chief Finance Officer is a member of the Council's Senior Management Team.
- **Budget Process.** The process has been reviewed to consider opportunities for improvement, including continuing to encourage collective ownership on financial management.

- **Treasury Management and Prudential Investment.** The Council complies with the revised CIPFA Treasury Management and Prudential Codes and is not planning to purchase any further assets to generate a revenue yield funded from borrowing. The Council also complies with the updated terms of the Public Loans Board.

How we ensure we are listening to you

- **Consultation with residents.** Regular consultations are undertaken by Spelthorne Borough Council relating to a variety of subjects. Between the period of April 2020 and July 2022 we have consulted on 14 issues with residents, ranging from leisure requirements in the Borough, public space protection orders, housing policies and COVID-19 funding for businesses. Many policy changes require formal consultation with residents and in other cases we consult informally to understand residents' priorities and service requirements. All open consultations can be found on a dedicated web page www.spelthorne.gov.uk/currentconsultations and these are communicated to residents and stakeholders across our variety of communication channels. We ensure that residents who are not digitally connected also receive news and have an opportunity to respond on Council consultations – whether through direct mailing, noticeboards, local press and our Borough Bulletin magazine. A four-week consultation at the end of 2020 sought the public's views on the Council's proposed change of governance model, and the responses received helped inform the Committee system which was implemented in May 2021. You can read more about our consultation policies and results at www.spelthorne.gov.uk/consultations
- Given the additional challenges arising as a result of COVID-19 in balancing future years' budgets the Council undertook, as part of the 2022-23 Budget process, a budget consultation exercise with residents in the autumn of 2021. This will be used to feed into the Budget setting process for 2022-23 and 2023-24. We have also recently utilised this process and strategy to target businesses in the Borough to identify how best to use the Government's 'Welcome Back Fund' and additional business grants, which support the reopening of high streets, hospitality and leisure and for the recovery of our Town centres.
- **Channels of communication.** The Council has several ways it engages and communicates with residents and businesses in the Borough. We are always reviewing the most appropriate ways to communicate, from formal statutory consultations through to the Council's use of social media and digital tools, including a subscriptions service for My Alerts www.spelthorne.gov.uk/my-alerts and a monthly E-newsletter www.spelthorne.gov.uk/enews Growing our social media audience across all platforms is an integral engagement tool to interact with our residents and growing our followers has been a priority for the team. In April 2020 we had 9,611 followers and in April 2022 we now have 15,000 followers representing a 56% increase. With the use of an accessibility tool on the website, all pages can change language, size or colour dependant on the user's need and personal requirements. Earlier this year, we purchased new software for the website which monitors accessibility, and this is tracked weekly. Using a range of different communication channels was key during the pandemic, particularly when looking to reach our most vulnerable residents. Through our COVID-19 Champions scheme, which was established as the first of its kind in Surrey, weekly webinars were broadcast to ensure factual information and advice was communicated and delivered to the community and those groups harder to reach. Since January 2022, this scheme now operates as Community Champions with a focus on vaccination uptake with our dedicated COVID-19 outreach worker. Last year the Council invested in digital screens which regularly communicate events and messages to residents when visiting The Elmsleigh shopping centre and the high street in Staines-Upon-Thames. We continue to live-stream Council and Committee meetings on our own

YouTube channel – Spelthorne TV www.youtube.com/user/SpelthorneCouncil/videos. This has opened the doors to democracy for many residents and on occasion, meetings received over 800 views. We have also been able to capture and share many celebrations in the last year, including Civic Awards celebrations and promotional Town ‘shop local’ videos.

Internally, officers support the democratic system with a multitude of dedicated communication channels including weekly briefings and a monthly newsletter for councillors. Councillors regularly meet with representatives of the Residents’ Associations. Equally, the Chief Executive has attended individual meetings of Residents’ Associations. During 2021-22, the Council’s Customer Charter was reviewed and has now been approved by the Neighbourhood Services Committee. A set of Key Performance Indicators across all services have been published and will be regularly reported on to committees.

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 Chair or Vice-Chair of the Committee responsible for the issue
- Complain about services you think are not performing, or equally provide positive feedback when you think we are doing well
- Request information under the Freedom of Information Act and the Environmental Information Regulations.
- Ask questions at the Council and the Spelthorne Joint Committee (which covers issues relevant to both Spelthorne and Surrey County 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 (www.spelthorne.gov.uk) and we only restrict the publication of a very limited quantity of material where there is good reason, such as the need to respect the data protection rights of individuals or commercial confidentiality.

How we promote high standards in public office

The Council has a dedicated Standards Committee with 9 Councillors and 2 independent members. The Committee itself is politically balanced and is guided by the Independent Chair and Vice-Chair. A separate group of appointed Independent Persons is in place to support and provide a professional credible review of any Member complaints, and in some cases assist with the investigation of such complaints.

In May 2021, the Council adopted the Local Government Association Model Code of Conduct in its entirety. All Members have been trained as to its contents. The Code of Conduct fits with the principles of good governance endorsed by the national Committee on Standards in Public Life.

In March 2022, a revised procedure for handling Member complaints was adopted. Then In April 2022, the creation of a Monitoring Officer single email inbox was created to capture all

external complaints received that are intended for the Monitoring Officer's attention. The new inbox is being monitored with clear records maintained and is fully accessible for all audit purposes.

The Monitoring Office is organising and preparing a package of training for all Members to be provided to support and assist with Member development. This will be in place well in advance of, and in readiness for, the new political administration due in May 2023.

There is a planned first training session to be provided by the Monitoring Officer to Members before September 2022 on the topic of recommended good practices for Members in the use of social media.

The use of Independent Persons to assist and support with consideration of Member Complaints is now an embedded procedure used and very much welcomed by the Monitoring Office.

The Monitoring Office updates and maintains a number of statutory policies. Most recently, the Council's Administrative Committee recommended the adoption of the Council's revised Anti-Money Laundering Policy, which was subsequently approved by Members at full Council on 4th May 2022.

Additionally, the Council has in place, a Policy on Gifts, Hospitality and Sponsorship which applies to both staff and councillors (<http://www.spelthorne.gov.uk/article/18641/Gifts-and-hospitality-policy>) . The policy was reviewed in 2019. In addition, there are policies expressly addressing Counter Fraud, Bribery and Corruption and Whistleblowing.

The Register of Members' Interests is maintained by the Council's Governance team and reviewed by the Monitoring Officer.

The Council's Standards Panel is tasked to determine Member Complaints supported by the Monitoring Officer. A report is then presented by the Monitoring Officer to the full Standards Committee with observations and lessons to be learnt for good practice for going forward.

How we learn and improve

The Financial Peer review (November 2020) (<https://www.spelthorne.gov.uk/peerreview>), which we would encourage you to read, illustrates the positive work of the Council. There are recommendations within the report which we are actively taking forward.

The Council has an ongoing Continuous Improvement Programme (CIP) where the CIP teamwork with services to identify improvements and efficiencies in processes, systems and working practices. For example making improvements to make it easier for people to pay the Council on-line. This has resulted in efficiency savings both in terms of time and money.

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, and systems of internal control to reduce risk and processes. This team has an annual 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 the last external review being undertaken in 2018.

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 concluding on the overall adequacy and effectiveness of the Council's framework of

governance, risk management and internal control. 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.

The Internal Audit Manager has reported on twelve assurance reviews relating to the 2021/22 audit plan, of which ten were assessed as requiring 'some improvement', one was identified as 'major improvement needed', and one was assessed as 'effective'. Any key matters arising have been identified and considered for the 2021/22 annual audit opinion. Other relevant sources of assurance such as audit advisory work, the Council's Corporate Risk Register and COVID-19 Risk Assessment have been reviewed for the purpose of producing the overall audit opinion. Audit recommendations carry a priority rating (low/medium/high) and these will be followed up to confirm implementation status.

Annual Internal Audit Opinion 2021/22

Important considerations in undertaking assurance workstreams and producing the annual audit opinion are set out at points 1 & 2 below:

- (1) The challenges around recovery from the global pandemic throughout 2021/22, and the wide-reaching risk implications for Spelthorne Borough Council.
- (2) The significant impact of wider externalities and other local issues in exacerbating some of the Council's strategic risks, effecting timely achievement of corporate priorities and objectives.

Several factors during 2021/22 have had an adverse impact on the achievement of Council priorities and objectives, and whilst these may not all be attributable to weaknesses in systems of internal control, this is a matter of significance for the Council (as highlighted at point 2 above).

The opinion of the Internal Audit Manager on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control is that on balance **reasonable assurance** can be provided across these areas, based on our 2021/22 work. The Council has many established internal systems of control that are sufficiently designed to effectively manage risks. However, it is recognised that improvements were recommended to address *the operation of the control environment* based on control weaknesses identified across several areas including some issues and areas of non-compliance, representing medium to high priority risks. Furthermore, scope for enhancements to internal controls have been raised or recommended in some areas.

Internal Audit have consulted managers (corporate management team, Group Heads and managers) to agree and monitor the implementation of recommendations or discuss improvement actions to address risks and enhance the robustness of the authority's control environment and governance arrangements. Where actions have been taken to address issues arising from audit work performed, this is acknowledged.

Punita Talwar
Internal Audit Manager, Spelthorne Borough Council
Chartered Internal Auditor (CMIIA), BA (Hons)

May 2022

All the issues raised by the Internal Audit Manager above are placed on the Agenda of the Audit Committee (July 2022), and the annual audit report for 2021/22 can be referred to.

This includes further actions proposed or underway to address some of the challenges and issues reported.

The internal audit team has carried out several audits in accordance with the agreed annual plan. Full details of these findings and the management response to them, as well as any key themes and issues arising from Internal Audits work for 2021/22 are to be found on the Audit Committee pages on our website.

As the pandemic continued into 2021-22, internal audit resource has been partially focussed around COVID-19 response and recovery reviews, audit support and advice, as well as wider risk and assurance workstreams.

Corporate Risk Management

The Council maintains a Corporate Risk Register, which is coordinated by the Internal Audit Manager and reported regularly to Management Team and Audit Committee. The Corporate Risk Register identifies and evaluates the key corporate risks facing the Council, the controls and mitigating measures in place, and tracks outstanding issues to address risks. The register continues to focus on a smaller number of corporate risks relating directly to effective delivery of the Corporate Plan, Priorities and Objectives. It also aligns to methodology set out in the revised and fully refreshed Corporate Risk Management Policy. The subsidiary companies are also producing risk registers and for consistency their format aligns closely with the Council's Corporate Risk Register. As part of ongoing development work on risk management, a summarised policy guide has also been launched to assist staff in managing risk. A training and awareness raising session on risk management was delivered to managers during September 2021. Progress has been made in exploring the development of a risk appetite framework for the Council as it is recognised that this supports more transparent and informed risk-based decisions, good governance and modern best practice. A plan for soft implementation of a risk appetite framework will be established and pursued during 2022/23.

As part of the strategy of embedding risk management into all aspects of the Council's decision making, the Council's report template for Committees now includes a section on risks.

External audit

Despite responding to all of KPMG's questions and providing all the information requested they have still not delivered a Value for Money opinion on the 2017/18 accounts and this matter is now considerably overdue. Throughout 2021-22, there has been a councillor working group (consisting of Leader of the Council, Chair and Vice Chair of Audit Committee and Chair of Administrative Committee) liaising with KPMG and seeking to bring the report to resolution. We anticipate that matters will be resolved in early autumn 2022-23.

Once they have provided professional clearance to our new auditors BDO LLP, officers will be liaising with BDO LLP, to agree a timescale for bringing the Council's audit affairs up to date.

Audit Committee

Terms of reference are set out in the Constitution. There are regular meetings and a work plan is published. Under the new Constitution there will continue to be an Audit Committee which has now been expanded to include an independent lay member (they attend their first meeting in March 2022).

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 also have feedback questionnaires for some services. We have several procedures in place:

- Our Complaints procedure is working well after a review in recent years. However, we are always looking at ways to improve it.
- We have a staff whistleblowing procedure in place. This is highlighted as part of the staff induction process.

FOI/GDPR

Our long-term project to ensure compliance with the General Data Protection Regulations and improve the Council's information governance arrangements continues. This project has already delivered, and will continue to deliver, significant improvements in the Council's information governance arrangements.

The Group Head of Commissioning and Transformation is the Council's Senior Information Risk Owner who has responsibility for managing information risk across the Council.

The Council's full time Data Protection Officer is responsible for monitoring internal compliance, informing and advising on data protection obligations, providing advice regarding Data Protection Impact Assessments (DPIAs) and acting as a contact point for data subjects and the Information Commissioner's Office (ICO). As the data controller, the Council is responsible for complying with all data protection principles and is also responsible for demonstrating compliance. All staff who process personal data are responsible for ensuring that personal information is processed in line with the legislation.

The Council has clear processes for managing Freedom of Information Act, Environmental Information Regulations, and Data Protection Act requests. The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests.

Staff continue to ensure compliance with the Freedom of Information Act / Environmental Information Regulations, Data Protection Act, and Privacy and Electronic Communication Regulations.

Monitoring includes reports to Management Team, internal and external audits and Information Commissioner reviews as appropriate.

COVID-19 has brought unprecedented challenges due to the need to share information quickly and adapt the way the Council's essential services work. Data protection staff are assisting colleagues to ensure that the Council only collects as much personal data as is strictly necessary for the relevant purposes and to continue to comply with Data Protection legislation.

How we will deal with significant governance issues

Review of significant governance issues:

Action taken in the year to address governance issues raised in the previous AGS relating to 2020-21

Significant issues for the year 2021/22 and an action plan to address them:

- **COVID-19 implications.** The Council's pandemic recovery plan provides a mechanism for periodically monitoring progress on recovery actions relating to a range of Council workstreams. Progress against recovery actions is periodically reviewed and reported to Audit Committee.
- Periodical risk analysis and reporting has continued during 2021/22 to coincide with the evolving nature of the pandemic, focussing on five risk areas where the impact of the pandemic has been most prevalent. The risk assessment includes actions underway to manage and mitigate identified risks.

Action: Future reporting from 2022/23 will specifically focus on the impact of externalities such as the macroeconomic environment (e.g. inflationary pressures) and geopolitical uncertainty (Ukraine crisis) on the Council's operations and the communities it serves.

- **Property portfolio:** The Council will continue to actively manage its property portfolio. A new Asset Management Plan has been adopted setting out how this will be done. Councillors sitting on the Development Sub Committee of the Corporate Policy and Resources Committee will ensure active councillor oversight. Business Plans for all the investment assets are being produced and reviewed by the Sub-Committee. In the summer of 2022, a review of the Council's approach to its sinking funds strategy and the impact on its reserves over the next 50 years will be undertaken, to ensure that the council strengthens its reserves and the resilience of the council to unexpected fluctuations in the rental market.
- **Implementing the new Constitution:** The implementation of the new Constitution will be kept under review. This will be overseen by the Monitoring Officer and the Standards Committee. A review of the new Constitution was undertaken by a councillors task group and a report produced, which made recommendations for minor adjustments to Council in April 2022. These were accepted.
- **Role of KGE in delivering housing:** The delivery of housing in the Borough will be kept under constant review, and oversight of the development of the properties before they are transferred to KGE will sit with the Development Sub Committee of the Corporate Policy and Resources Committee. Both Council and the Board of Directors for KGE, review the possibility of KGE becoming a Registered Housing Provider, and at present have decided not to proceed down this route. KGE directors attended the Corporate Policy and Resources Committee in November 2021 to report on progress and discuss its Annual Report.
- **Role of SDS:** The work of this company will be overseen by the Neighbourhood Services Committee.
- **Issue - Housing – Development & targets & affordable.** Corporate Policy and Resources Committee agreed in January 2022 that the Staines Moratorium was no longer in effect. As mentioned in Town Regeneration above, the one-year delay is currently costing the Council an average of £170,000 per month, equating to £1.26m over the period the Moratorium has been in place. Continued delays to property schemes equate to significant cost rises for the Council and have increased the overall costs of the housing delivery programme. This has an adverse impact on the revenue budget, threatening the Council's financial position. The inflationary pressures and rising interest rates will add further to the overall financial impact.

Action: Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs continue to be measured and reported. To continue to work on helping councillors to understand better the proposals (with use of all councillor briefings) and referring more decisions to full Council, to help ensure that momentum is maintained.

Issue - As well as the significant financial implications to the Council arising from delayed property schemes, this inevitably affects the achievement of development targets, the housing delivery programme and provision of housing (affordable and other) across the borough.

Action: Proposed purchase and management of ready-made properties through Knowle Green Estates (KGE) to progress housing need, approved by Policy and Resources Committee and included in the Capital Programme

Issue: Economy. The macroeconomic environment including inflationary pressures continues to have an impact on Council operations, consumer activity, revenue streams and finances as it recovers from the pandemic. The significant rise in living costs including the energy and fuel crisis, as well as further implications arising from the geopolitical situation and Ukraine crisis, present wider consequences for the communities that the Council serves.

Action: The Economic Prosperity Strategy and action plan to cover the next five years (2022 -2027) is under review and scheduled for completion by September 2022. Any residual actions on the pandemic recovery plan (Economic section) are being captured in the revised economic prosperity strategy.

Issue: Overstretched Corporate Capacity/Resources/Recruitment and Retention. An ongoing risk/issue prevails around corporate capacity remaining severely stretched, with additional significant work pressures being reported. Added to this, the implementation of a new Committee system from May 2021 presents a governance structure with greater demands on resource and time. The failure to effectively recruit to technical roles is also proving challenging with implications for gaps in skills/expertise/knowledge and service quality delivery, as well as additional consultancy costs. All these factors have further exacerbated the apparent pressures being felt across the Council. There are several consequences associated with overstretched corporate capacity, including workforce fatigue and stress, negative impact on physical and mental wellbeing, increased sickness absence and turnover, loss of key personnel, and losing sight of priority focus areas impacting service delivery.

Action: The first year of the new Committee system has been a learning experience for both councillors and Offices, as the system embeds itself the Council will become more effective at prioritisation, particularly around the objectives of the Corporate Plan and thereby mitigating the overstretched corporate capacity risk.

Action: Given that talented staff represent the greatest asset for any organisation, continuing to explore new and innovative recruitment and retention strategies in a competitive market is critical.

Action: Collaborative working and partnerships are being explored with a view to enhancing organisational and service resilience and promoting career opportunities, contributing to staff retention measures. A councillor/officer Working Group is in place.

- Issue: The implementation of a Committee system of governance** has highlighted issues around the efficiency (timeliness) and effectiveness of decision making, with far reaching implications on delivery of corporate priorities. Under this governance model, the scrutiny of decisions falls under the responsibility of the Service Committee, rather than under the remit of a separate Overview and Scrutiny Committee. The new Committee system does not appear to have embedded increased overview and scrutiny, possibly due to a lack of understanding about how matters should be scrutinised at Committees.

Action : Implementation of Internal Audit recommendations from review of the Committee system

Action: Committee System Working Group continuing to champion and address necessary actions

- Issue:** The revised Corporate Plan incorporates a set of organisational values, representing progress in helping to define the way in which the Council wishes to operate and what it stands for. However, as required behaviours are still being developed, there is further action required to establish a clearly defined set of values and behaviours.

Action: The Council should establish an action plan to outline its overall approach, timeframes and desired outcomes for embedding values and behaviours into the organisation’s working culture. This should include consideration of the extent to which values and behaviours should be incorporated into key policies and practices.

General Action: Increased visibility and ownership of the Councils’ most significant strategic risks and issues is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in addressing risks and implementing mitigating actions.

Action: It is envisaged that the planned LGA Corporate Peer review for Autumn 2022 could provide greater direction and insight in supporting the Council to address some of the significant risks and issues highlighted above.

Conclusion

As we deal with the challenges of the next few years in the light of the impact of COVID-19 and wider externalities on our economy, health & safety and well-being, you can be assured that we are doing so from a solid foundation with proper systems of internal control.

.....
 Cllr John Boughtflower
 Leader of the Council

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 Daniel Charles Mouawad
 Chief Executive