

## Annual Governance Statement

### 1.0 Scope of responsibility

- 1.1 Watford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Watford Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Watford Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Watford Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.watford.gov.uk](http://www.watford.gov.uk) or can be obtained from the Head of Legal and Property Services. This statement explains how Watford Borough Council has complied with the code and also meets the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### 2.0 The purpose of the governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at Watford Borough Council for the year ended 31<sup>st</sup> March 2009 and up to the date of approval of the Statement of Accounts for the 2008/2009 financial year

### **3.0 The governance framework**

- 3.1 The Council is a major contributor to the Local Strategic Partnership, One Watford, which is made up of key stakeholders such as Hertfordshire County Council, Hertfordshire Police Authority, West Herts College, Watford and West Herts Chamber of Commerce, the Council for Voluntary Service, Watford and Three Rivers Primary Care Trust, and Watford Community Safety Partnership. One Watford has produced the Borough's Sustainable Community Strategy. This cascades down whereby the Council identifies and communicates its aims and ambitions for Watford through the Corporate Plan. This Plan has recently been reviewed and agreed by Cabinet on 21<sup>st</sup> April 2009 and covers the period 2009/ 2014. The Council has also approved a Code of Corporate Governance which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct.
- 3.2 The key documents driving the governance framework are included in the council's Constitution (published in full on the Council's website). This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens. A wide range of detailed policy and procedure documents supplement this for operational use by officers. Both the Constitution and these supplementary documents are kept under review and updated as necessary. Training is provided for Members and staff on relevant changes.
- 3.3 Council, Cabinet and Committee meetings are open to the public and written reports are available to the public through the website. Information is only treated as confidential when it is necessary to do so for legal/ commercial reasons or as a matter of proper practice.
- 3.4 Each year, the full council meeting sets key policies and objectives, including the corporate plan and the budget, as well as individual strategies for key activities.
- 3.5 The council publishes its Corporate Plan, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on the Community Plan agreed by the Local Strategic Partnership, One Watford, and by consultation and surveys carried out on a range of topics. Feedback from members, the public and external review organisations is also taken into account.

- 3.6 The Corporate Plan is publicised, published on the council's website and distributed in hard copy to various premises. Progress on the plan is reported to the public through About Watford, including an annual summary of achievements.
- 3.7 The Mayor and Cabinet form the Executive and are responsible for ensuring that the council's plans are carried out by officers.
- 3.8 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Managing Director. All reports requiring a decision from Members include comments on financial, legal, equalities and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided. Policy Development Scrutiny Committee considers selected topics and advises Cabinet on its findings. Call-in and Performance Scrutiny may review Cabinet decisions as well as reviewing performance. Budget Panel considers the draft budget proposals made by Cabinet, other financial matters and value for money progress. The Audit Committee reviews the overall and service related control and risk management environment as well as Annual Accounts and Treasury Management policies.
- 3.9 Monitoring reports on the achievement of service improvements and financial performance are submitted to Cabinet meetings and to the Call-In and Performance Scrutiny Committee. In addition, Cabinet Members, in their capacity as Portfolio Holders with specific responsibilities, hold quarterly meetings with Directors and Heads of Service to review performance.
- 3.10 The Council is committed to delivering value for money, and has published its Value for Money Strategy and Action Plan 2008/ 2014. It is developing a programme of reviews that will be used to test the value for money that it derives from its services and to assess the areas for improvement. The outcomes of such value for money assessments will be used to deliver real improvements in the efficient, effective and economic delivery of services and to inform the development of future budget proposals and the Medium Term Financial Plan for 2009/2013.
- 3.11 The council seeks to ensure the economic, effective and efficient use of resources and to secure continuous improvement through:
- work carried out as part of the annual budget process
  - project appraisal and formal project management for major schemes
  - undertaking Best Value/Value for Money and managerial reviews
  - implementing the recommendations of Internal Audit
  - implementing the recommendations of external auditors and inspectors

- the adoption of best practice where cost-effective
  - modernisation of working practices
  - consultation with the public and staff
  - partnership working with companies and other public bodies
  - setting challenging targets for improvement
- 3.12 Budget monitoring reports are submitted to Cabinet periodically. Senior officers, Cabinet members and members on the Budget Panel receive monthly monitoring reports.
- 3.13 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of: training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal audit and use of the disciplinary procedure where appropriate.
- 3.14 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. These include:
- Members Code of Conduct
  - Code of Conduct for staff
  - Anti fraud and corruption policy
  - Members and officer protocols
  - Regular performance appraisals, linked to service and corporate objectives.
  - Service standards that define the behaviour of officers
  - A Standards Committee which has a key role in promoting and maintaining high standards of conduct for members.
  - Officers are subject to the standards of any professional bodies they belong to.
- 3.15 The Head of Legal & Property Services is the Council's Monitoring Officer and her duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Mayor and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
- 3.16 The Head of Strategic Finance is the statutory Chief Finance Officer. His duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the Mayor, councillors and officers on the

Budget and Policy Framework or issues of maladministration, financial impropriety or probity.

- 3.17 The council's internal audit team carry out a programme of reviews during the year. As part of these audits, any failures to comply with legislation, council polity and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements.
- 3.18 External auditors, appointed by the Audit Commission, provide an external review function through the audit of the annual accounts, assessment of the Use of Resources, value for money and key lines of enquiry and through periodic inspection of services. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
- 3.19 The Audit Committee's terms of reference are consistent with CIPFA's guidance. It approved the annual plan of internal audit, and receives the quarterly and annual reports of the Audit Manager. It approves the Statement of Accounts, the annual governance statement and the review of the effectiveness of the internal audit system. It receives reports on risk management and other governance issues and reviews the operation of Treasury Management.
- 3.20 The 2008/09 Statement of Accounts is due to be approved by the Audit Committee on 30<sup>th</sup> June 2009.
- 3.21 The Council has a complaints procedure, and reports on complaints and compliments are circulated to senior officers and discussed at quarterly review meetings. A Whistle-blowing policy whereby staff and others can report concerns about various sorts of wrongdoing or alleged impropriety is also in place and regularly reviewed. This policy is published on the staff intranet and is referred to in Induction Training Programmes.
- 3.22 The development needs of senior officers in relation to their strategic roles are identified within a learning and development process, one to one interviews and review by HR managers. Similarly, member training is well advanced with an individual development planning process for every member having been established.
- 3.23 The Council has developed an effective performance management system that underpins the delivery of its priorities and improved outcomes for residents. The development, implementation and review of the Council's key plans and strategies, which all take the delivery of the Council's Sustainable Community Strategy is a key element of its performance management system. The Council develops a five year medium term strategy, which it reviews annually and which is published in its Corporate Plan. This, in turn informs the five year service delivery

plans for all its services, which are developed through workshop sessions and in discussion with relevant portfolio holders. Performance targets are identified in the Corporate Plan to reflect corporate priorities and disseminated through the service delivery plans, unit plans to individual performance appraisals.

- 3.24 The Council keeps residents and stakeholders informed of its progress through an Annual Report. A full version is published once final accounts have been agreed, whilst a condensed version appears at the end of the financial year in the Council's magazine so that local people are kept well-informed as to how their Council is performing.
- 3.25 During the year performance is monitored regularly through a number of channels. Each service is responsible for reporting performance quarterly as part of the Council's Quarterly Review process when progress against service plans is evaluated with the relevant portfolio holder and Executive Director. Performance of key indicators is also discussed along with financial performance, complaints and progress against the Council's equalities agenda.
- 3.26 Leadership team receive quarterly updates on progress against the Council's key performance indicators, which are identified each year to measure key priorities. Quarterly performance reports with updates on all corporate projects and indicators go to Call-In and Performance Scrutiny Committee for discussion and, where necessary, relevant heads of service and portfolio holders are invited to attend.
- 3.27 The Council exercises community leadership and effectively engages with local people and stakeholders, including partnerships, to ensure accountability, encourage community involvement in decision-making and to strengthen relationships and a sense of belonging within the community. The directly elected Mayor takes the lead in ensuring there is open and effective community leadership and provides an effective means for people, communities, businesses and organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which developed the Sustainable Community Strategy through extensive consultation and engagement and which is communicated through its own website and that of the Council.
- 3.28 The Council has established twelve Neighbourhood Forums, which mirror the borough's ward boundaries and each have a devolved budget of £5k. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
- 3.29 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information through the Council magazine 'About Watford', which is distributed to every home in the borough. The magazine is now published six times a year and one edition includes an 'Annual Report' so local people can see how well the Council is doing in terms of delivering against its priorities.

- 3.30 The Council's Corporate Medium Term Plan, which runs for 5 years, is published both on the website and in paper format and articulates its purpose and vision and shows how consultation and engagement with the local community has shaped its priorities.
- 3.31 The Council has established the 'One Watford Equalities Panel', which provides an opportunity for traditionally harder to reach groups to take an active part in Council decision-making and feedback on areas and issues that might impact on their quality of life.
- 3.32 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel, which incorporates the Council's annual budget survey. Local residents are also invited to attend the Mayor's budget seminar to build understanding about Council finances and the implications for future service delivery. A young people's online forum has been set up to support the Council's engagement with what is often a harder to reach group. The Watford Compact provides an agreement between the statutory and voluntary sectors in Watford to clarify and strengthen their relationship and to achieve better outcomes for individuals and for the Watford community. All signatories to this document adhere to the national Compact standards and prepare an annual statement showing how the Compact has supported their work over the past year and how it will inform their work in the coming year.
- 3.33 The Council has a strong track record of working in partnership and is increasingly acting in partnership with other organisations in delivering its services and in pursuing its strategic objectives and efficiency targets. It has identified its strategic partnerships and its work within these is supported with a partnership framework, which ensures there are clear and robust governance and management arrangements and accountabilities. The framework ensures that any partnership arrangements are proportionate and strike the right balance between delivering value for money, protecting public funds and minimising risks and ensuring that benefits from organisations collaborating such as innovation and flexibility are realised.

#### **4.0 Review of effectiveness**

- 4.1 Watford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 Key elements of the process of maintaining and reviewing the effectiveness of the governance framework over the past year (from 1<sup>st</sup> April 2008 to the publication of the Annual Statutory Accounts) are as follows:

4.3 The Council:

- Amended the Constitution to incorporate Neighbourhood Forums to replace Area Committees and make other improvements, on the advice of the Constitution working party
- Considered Scrutiny reports which included the Annual Report of Overview & Scrutiny; and the work programmes for 2008/ 09 for Policy Review & Development, Call-in & Performance and Budget Panel.
- Approved the update of the Medium Term Financial Plan.
- Approved appointments to the Independent Member Remuneration Panel.
- Approved a Freedom of Information Publication Scheme
- Approved an updated Code of Corporate Governance
- Approved the Council's Budgets and other key strategy plans, including a revised Treasury Management policy
- Considered the first year results of the Members Performance Scheme which included self assessments of the community representative role carried out by each member.

4.4 The Cabinet:

- Received, from the Audit Commission, the Annual Audit and Inspection Letter relating to the 2007/2008 Financial Year. This letter provided an unqualified opinion on the accounts and concluded there are adequate arrangements in place for ensuring value for money. It also highlighted, as part of a 'Direction of Travel' report, that the Council is improving rapidly and has improved outcomes against its short term priorities
- Approved a Value for Money Strategy and Action Plan 2008/2014
- Has considered and proposed key strategy plans for Council approval
- Has agreed operational strategies and plans
- Reviewed budget monitoring reports
- Considered the Shared Services initiative with Three rivers DC
- Approved the Annual (Planning) Monitoring Report 2008

4.5 and the Mayor and Portfolio Holders maintained continuous review of the council's policies and activities, including performance monitoring.



#### 4.6 Council Functions Committee:

- Has approved the Managing Director's proposals to amend the officer structure to meet the needs of the council in the future
- Considered a consultation paper from DCLG on a code of conduct for officers and a revised code of conduct for members.
- Reviewed travel allowances

#### 4.7 Audit Committee:

- Has approved the Internal Audit Service Plan and Annual Work Plan, considered the team's compliance with best practice and reviewed the terms of reference for internal audit
- Has received progress reports from the Audit Manager and his Annual Report, including his assessment of the adequacy of internal control
- Has received progress reports on Risk Management, including reviews of the risk management strategy and the corporate risk register
- Has reviewed the adequacy of the system of internal audit
- Has received a report on Treasury Management activities for 2008/2009.
- Approved the annual Statement of Accounts and annual governance Statement
- Received the annual governance report on the accounts from the external auditors
- Received the annual letter from the Ombudsman
- Considered the annual audit and inspection letter from the Audit Commission
- Reviewed requests made under the Freedom of Information Act

#### 4.8 Standards Committee

- Approved revised criteria for the assessment of complaints about councillor conduct.
- Considered a consultation paper from the DCLG seeking to introduce a new code of conduct for officers and amend the code of conduct for members.
- Held two assessment sub committees and one review sub committee regarding alleged breaches of the code of conduct by councillors.

#### 4.9 Scrutiny Committees

- Reviewed a range of activities and reported to Cabinet on suggestions for improvement
- Considered the results of the Scrutiny Survey for 2008

#### 4.10 Budget Panel

- Considered Cabinet's budget proposals and which included a review of spending priorities, savings and growth proposals and council tax levels and trends.
- Received training related to financial issues such as use of virement/ balance sheet comparators
- Considered the Medium Term Financial Plan and Outturn for the previous financial year.
- Considered some benchmarking work for street cleansing and housing benefit.
- Received and considered regular budget monitoring reports.

#### 4.11 Internal Audit:

- Have carried out a programme of audits (37) throughout the year across the council's range of activities, achieving 90% of the audit work set out in the annual plan for 2008/09. These reports included a number of recommendations to remedy weaknesses, improve existing controls and to adopt measures of best practice. All recommendations are re-visited to ensure improvement has been made. Failure to implement recommendations is reported, in the first instance, to the relevant Director.
- All internal audit staff are suitably experienced and qualified and work in accordance with CIPFA standards
- The Audit Manager, in his report to the Audit Committee in June 2009, concluded that, based on the work done by internal audit, the internal control environment is satisfactory and operates effectively.
- Statements of Assurance are completed by Heads of Service confirming they have assessed risks facing their respective services and have implemented Internal Audit recommendations.
- Internal Audit reviewed the Council's arrangements for Corporate Governance for 2008/2009 and produced its report in April 2009. The Audit Opinion provided a 'Qualified Assurance—a satisfactory report. Basically sound evidence of adherence to corporate governance principles.

#### 4.12 The Audit Commission/ External Auditor (Grant Thornton):

- Issued its Annual governance report in September 2008. The council's accounts were unqualified. The Statement on Internal Control was found to be in line with proper practices and consistent with the auditors' own findings. The arrangements for securing economy, efficiency and effectiveness were reviewed and received an unqualified report. An Action Plan to improve the quality of the accounts was agreed and has been implemented.
- Carried out an assessment against the Use of Resources standards. The council continues to be assessed as a "2", which is adequate.
- Issued its annual Audit and Inspection Letter in March 2009. This highlighted that the Council is improving rapidly, and has achieved improved outcomes against local priorities. It has improved its value for money but remains relatively high cost.
- Reviewed data quality and concluded that the Council continued to demonstrate adequate performance and noted that a new data quality policy for 2008/2009 is expected to strengthen future management arrangements.
- Reported upon the grant certification processes within the Council as part of the Annual Audit and Inspection Letter.

#### 4.13 Other External Review mechanisms

- The Legal service has successfully retained its Lexcel status
- Green Flag accreditation for Cassiobury Park
- East of England Charter for elected member development
- Charter mark for the Development and Building Control Service
- IIP accreditation across the Council

#### 4.14 Significant Governance Issues

The following significant issues have been identified as a result of review, with target dates for correction.

No.	Issue	Action	Lead
1	Management of Partnerships: a need for clear corporate direction and guidance on partnership working	The Council has developed a Partnership Framework for adoption in all partnership arrangements  By 30/9/09	Head of Corporate Services and Heads of Service
2	Risk Management needs to be embedded across the council and reflected consistently within Service Plans and Risk Registers	Need to continue internal seminars/ courses to ensure all staff are aware of its importance in delivering key objectives  By 31/12/09	Head of Strategic Finance and Audit Manager to organise events. Heads of Service to ensure high priority is given
3	Quality of Budget Monitoring	Monitoring needs to be more robust and a better guide to likely out-turn  By 30/9/09	Head of Strategic Finance/ Shared Service SLA
4	Arrangements for managing software changes (Also outstanding from last year and not yet signed off formally)	Refresh and Implement revised change control procedure for all IT Changes  By 31/ 07/ 09	Head of Business Information Services

4.15 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

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Mayor

Managing Director

Date

Date