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| ANNUAL GOVERNANCE STATEMENT 2016/17 |
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SCOPE OF RESPONSIBILITY

- 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. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 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'. It is also in accordance with the requirements of the Accounts and Audit (England) Regulations 2015.
- 4 This Governance Statement explains how the Council has maintained sound governance during the financial year 2016/17 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 5 The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
- 6 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 7 The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
- 8 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 to manage them efficiently, effectively and economically.

THE GOVERNANCE FRAMEWORK

- 9 The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

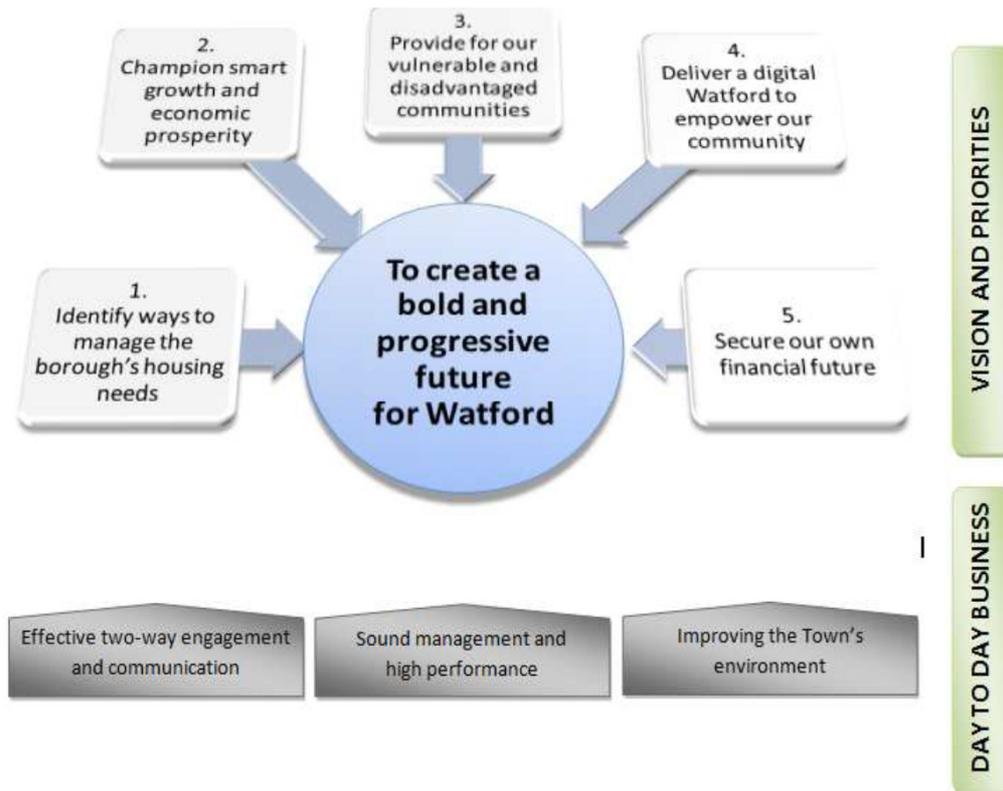
General

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- 10 Watford Borough Council operates a Mayor and Cabinet model of governance under the Local Government Act 2000 this places total responsibility for those functions designated as Executive Functions into the hands of the directly elected Mayor. However full Council is responsible for setting the Council's budget and agreeing the key policy framework. The Council also has established an Overview and Scrutiny Committee, Budget Panel, Outsourced Services Scrutiny Panel and task groups to scrutinise the actions the Mayor and Cabinet and assist with policy development. In addition the Council has six further committees that cover non executive functions, these are Licensing, Development Management, Audit, Functions, Standards and Appointments. It also has a number of advisory member groups such as Major Projects Board, Planning Advisory Group, Housing Advisory Group and the Market Working Group.
- 11 Watford Borough Council has a directly elected Mayor, which means that the community elect the person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet that plays a key role in determining the overall budget and policy framework of the Council. Each member of the Cabinet has a portfolio for which they are responsible and can make decisions within their area of responsibility.
- 12 The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
- 13 The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
- 14 The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
- 15 The Leadership Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
- 16 Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

Strategic Aims and Objectives

- 17 The governance framework enables the Council's key objectives as outlined in the Corporate Plan to be met and these can be summarised as follows:-



VISION:

To create a bold and progressive future for Watford

OUR OBJECTIVES:

- ☑ Identify ways to manage the borough's housing needs
- ☑ Champion smart growth and economic prosperity
- ☑ Provide for our vulnerable and disadvantaged communities
- ☑ Deliver a digital Watford to empower our community
- ☑ Secure our own financial future

18 Underpinning these over arching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The council also plays a major role in the Local Strategic Partnership, One Watford, which is made up of key stakeholders such as Hertfordshire County Council, Herts Valleys Clinical Commissioning Group, the Watford BID, Watford and Three Rivers Trust, Watford Community Housing Trust, and Hertfordshire Constabulary.

Decision Making Structures

19 At an officer level, the senior management comprises the Managing Director, Deputy Managing Director, shared Director of Finance and Heads of Service. Financial control will primarily be the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. This combined management comprises the Leadership Team who meet fortnightly to review and progress the key objectives of the council.

Overall financial control is monitored on a monthly basis by Leadership Team and the Budget Panel, and quarterly by Cabinet. Budget preparation is influenced by the Council's Medium Term Financial Strategy which forecasts budget pressures and available resources over a four year period. This MTFS is reported quarterly to Cabinet and Budget Panel where variations to the strategy are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee (but is also reported to Cabinet and Budget Panel).

Constitution

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- 20 The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. 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.
- 21 Copies of the Council's Constitution are available to all on the Council's website.
- 22 There are regular meetings of the Council, Cabinet and other committees. Council, Cabinet and committee / scrutiny meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.
- 23 The Council publishes its Corporate Plan annually, 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 a range of topics, particularly around priority setting, and a detailed analysis of the Watford context based on information derived from sources such as Census 2011 and the Indices of Multiple Deprivation. Progress on the Plan is reported to the public through a quarterly magazine, About Watford, and includes an 'annual report' on the Council's achievements compared to its initial targets.
- 24 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, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
- 25 The Constitution sets out an Officers' Code of Conduct, which includes Disclosure of Information; Political Neutrality; Potential Conflict of Interest Situation; Bribery, Corruption and Fraud; Appointments and Other Employment Matters; Outside Commitments; Personal Interests; Equality Issues; Information Security; Criminal Offences; Whistle blowing and Breaches of the Code of Conduct.
- 26 The scrutiny function within a local authority provides a necessary check upon the role of Cabinet and is a key component of corporate governance. At Watford it is co-ordinated through the Overview and Scrutiny Committee, which can review Cabinet decisions and service performance, the Council has set up an Outsourced Services Scrutiny Panel as a standing scrutiny panel to scrutinise the activities of functions undertaken by external providers on the council's behalf. In addition the Standards Committee considers member conduct and the Budget Panel considers financial issues in a non political forum. Finally, the Audit Committee reviews the overall governance arrangements including the service related control and risk management environment. The Audit Committee also considers the response to Freedom of Information requests, the Ombudsman's annual report, risk management, Regulation of Investigatory Powers Act as well as annual accounts and treasury management (investment) policies.

- 27 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 and external audit and use of the disciplinary procedure where appropriate.
- 28 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 (including whistle blowing and anti bribery)
 - ☑ Money Laundering detection guidance
 - ☑ 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 to which they belong
- 29 The Head of Democracy and Governance is the Council's Monitoring Officer and 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.
- 30 The Shared Director of Finance is the statutory Chief Finance Officer. 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 council on financial planning.

Data Quality and Risk Management

- 31 The need to develop policies and guidance on data quality and assurance is essential in order to promote consistency and awareness across the organisation. To that end, the Council has a senior member of staff who acts as the Senior Information Risk Officer. Guidance documents include a Data Quality Policy; an Information Security Policy; a Data Asset Register: and management training modules all of which are on the intranet.
- 32 The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually and approved by Leadership Team and the Audit Committee. This Strategy underpins the Strategic Risk Register which was updated and approved by the Audit Committee in March 2016 and covers major issues that will affect the achievement of the council's key objectives. This Risk Register is at a strategic/high level and is complemented by detailed project and service area registers. This Strategic Risk Register is reviewed by the Risk Management and Business Continuity Steering Group which meets bi-monthly and ensures a consistent approach to risk management across the Council.
- 33 Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

- 34 The risk management section within the Partnership Framework has been revised and all committee reports contain a 'risk implications' section as an aid to decision taking. There is however a continued need to ensure an effective risk identification process occurs where the Council has outsourced the provision of services to a private sector partner.

Shared Services with Three Rivers District Council

- 35 Watford Borough Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.
- 36 From April 2014, the Governance arrangements for shared services changed to a lead authority model. Watford Borough Council are responsible for providing the services of ICT and human resources whilst Three Rivers District Council are responsible for providing financial services and revenues & benefits. An executive board of senior management from both councils are responsible for these services. The role of the Board covers:-
- ☐ Monitoring performance and dealing with complaints from either authority
 - ☐ Resolving conflicts between competing interests amongst the authorities
 - ☐ Reviewing the governance arrangements
 - ☐ Dealing with matters referred up to it by the Operations Board
 - ☐ Having overall supervision of the Shared Service
 - ☐ Receiving annual reports on each service within the shared service.

Community Engagement

- 37 Corporate governance includes informing our community of the plans and aspirations of the council and is primarily communicated through its published Corporate Plan and the regular editions of 'About Watford'. The directly elected Mayor, Baroness Dorothy Thornhill MBE, takes the lead in ensuring there is open and effective community leadership and provides a focal point for individuals, communities, business and voluntary organisations to engage with the Council. The Mayor is also the Chair of the borough's Local Strategic Partnership, One Watford, which continues to lead on the successful delivery of the overall vision and objectives for the town and on effectively integrating partnership working and delivery.
- 38 The Council has established twelve neighbourhood forums, which mirror the borough's ward boundaries and each have a devolved budget of £2,500. These are organised and managed by the relevant local councillors as part of their commitment to community leadership and engagement.
- 39 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'.

- 40 A range of consultation and engagement projects are undertaken annually. This includes a regular 'Community Survey' with the borough's Citizens' Panel and wider community, which covers a range of areas relating to the Council's services and activities, including how it spends its money and prioritises areas for focus and improvement. The Citizens Panel is refreshed regularly to ensure it is representative of the Watford community. Local residents are also invited to attend the Mayor's regular information seminars, which help build understanding across a range of areas including Council finances and the implications for future service delivery. 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.

REVIEW OF EFFECTIVENESS

- 41 In accordance with recent external audit guidance, the review of the effectiveness of the governance framework will focus upon significant weaknesses and the 'big picture'. If issues have not been highlighted then that is because current governance arrangements have proved fit for purpose.
- 42 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 Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. The Mayor and Portfolio Holders maintain a continuous review of the Council's policies, activities and performance of officers both through quarterly reviews and on a day to day basis.

The Council

- 43 The full Council comprises 36 Members and an Elected Mayor. The main roles are –
- To set Watford Borough Council's Budget and Policy Framework;
 - To receive a report from the Mayor, which Councillors can then ask the questions related to the report;
 - To receive questions from the public, which are then debated by the Councillors;
 - To receive petitions from the public, which are debated by the Councillors;
 - To receive questions from Councillors with their response, these are not debated;
 - To receive motions from Councillors, which are then debated.
 - To consider any recommendations from Committees or Working Parties.
- 44 The Council met four times during 2016/17 and agendas, reports and minutes are available on the Council's website.

Cabinet

- 45 Cabinet comprises the Mayor and five members and makes decisions which are in line with the Council's overall policies and Budget. It is chaired by the Mayor and includes the Portfolio Holders appointed by her.
- 46 Each Member of Cabinet has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.
- 47 The dates of all cabinet meetings are pre-published and all decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded. Agendas, reports and minutes of the meetings are available on
- 48 Cabinet met nine times during 2016/17.

The Review Committees

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49 The Council has two review committees, Overview and Scrutiny Committee and Outsourced Services Scrutiny Panel whose role is to scrutinise the decisions and performance of Cabinet and the Council as a whole.

50 Overview and Scrutiny Committee comprising nine members, is the over-arching scrutiny committee for Watford Borough Council. Its work includes:

- Reviewing called in Executive decisions made by Cabinet, Portfolio Holders and Officers;
- Reviewing the Council's performance measures;
- Monitoring the Executive decisions taken and the key decisions to be taken by Cabinet, Portfolio Holders and Officers;
- Monitoring the progress of recommendations from previous scrutiny reviews;
- Setting up Task Groups to review suggested topics for scrutiny;
- Monitoring the progress of Task Groups and agrees the final reports;
- Setting a rolling scrutiny work programme.

51 The committee met seven times in 2016/17.

52 Outsourced Services Scrutiny Panel whose role is to scrutinise and monitor the performance of outsourced services, comprises seven members and met six times during 2016/17.

Member Panels

53 There have been a number of cross-party Member Panels and Task Groups to review and monitor various areas of Council activity, e.g Community Safety Partnership Working Group, Leisure Management Contract Working Group, Management of Conservation Areas Task Group, Neighbourhood Forum Task Group, The Parking Strategy Task Group, Voluntary Sector Commissioning Framework (Community Centres) Task Group and the Chief Officers Pay Panel.

Standards Committee

54 The Standards Committee is set up as and when required to consider matters of member conduct.

55 There were no meetings of this committee during 2016/17.

Member Allowances

56 Members Allowances were reviewed in 2014 by an Independent Remuneration Panel, which was made up of four independent members. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council as part of the Budget Council meeting, details of which are available on the Council's website. The Panel did not recommend any increase in the allowances.

57 The Independent Remuneration Panel now sits on a quadrennial basis, and is therefore next due to meet in 2018.

Senior Management

58 There are three Council officers who have statutory appointments - the Managing Director's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the Head of Democracy & Governance as the Monitoring Officer.

59 Leadership Team comprises the three statutory appointments above, plus the following officers: Deputy Managing Director - Place Shaping and Corporate Performance, Director of Finance, Head of Community and Environmental Services, Head of Corporate Strategy & Communications, Head of Service Transformation, Head of Human Resources, Head of Finance and Head of Revenues and Benefits. Leadership Team meet every two weeks.

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- 60 There was a change to the Council's senior management structure, both in year and at the start of the following year (2017/18), although it is too early to comment on the working arrangements.

Performance Management

- 61 Performance management follows a 'cascade' principle. The Council approves its Corporate Plan annually (although it covers a rolling four year perspective) and highlights key aspirations and targets including a series of objectives to be achieved in the year ahead. This Corporate Plan then cascades down to individual services delivery plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Leadership Team and on a quarterly basis through Heads of Service, Cabinet Members, Overview and Scrutiny Committee and Outsourced Services Scrutiny Panel. Performance reviews also include consideration of complaints
- 62 The Council keeps residents and stakeholders informed of its progress through a quarterly publication called '*About Watford*' which is delivered to every household and covers key issues, events and challenges. At the end of every financial year the Council also produce an Annual Report which informs the community of progress in the achievement of the Corporate Plan.

Procurement

- 63 The Council aims to use its resources efficiently, effectively and economically.
- 64 The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

The Audit Committee

- 65 The Audit Committee has comprised five members and met four times during 2016/17.
- 66 The Audit Committee's terms of reference are consistent with best practice. The Committee approves the annual plan of internal audit, and receives the quarterly and annual reports of the Head of Assurance for the Shared Internal Audit Service. 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 reviews the operation of treasury management. It also received the annual letter from the Ombudsman and considers regular reports upon Freedom of Information requests, risk management and the Regulation of Investigatory Powers Act.

Internal Audit

- 67 Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.

- 68 The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceeding year. As part of these audits, any failures to comply with legislation, council policy 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. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to the Leadership Team.
- 69 In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting in June 2017), which:
- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment
 - disclosed any qualifications to that opinion, together with any reasons for the qualification
 - drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.
- 70 The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statemen. For 2016/17 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2016/17.
 - A substantial assurance opinion is given on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment. There are no qualifications to this assurance.

The Council's External Auditors

- 71 External auditors, Ernst & Young, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the Audit Committee.
- 72 The Annual Audit Letter 2015/16 was presented to the Audit Committee in December 2016 and the main conclusions for the year were:
- The 2015/16 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
 - The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.
- 73 The Local Government contract for the Council was awarded to EY (Ernst Young) following re-tendering by the Audit Commission ahead of its abolition in March 2015. The contract is effective from 1 April 2015 and covers a period of two years which was subsequently extended by a year to cover 2017/18.

SIGNIFICANT GOVERNANCE ISSUES

- 74 The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No new significant governance issues were identified in 2016/17. Appendix 2 details the two outstanding matters brought forward from 2015/16 and shows the latest management actions to resolve the issues.

Certification Statement from the Elected Mayor and the Managing Director

75 We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

Signed
Mayor

Date:

Date:

Signed
Managing Director