

Watford Borough Council

Annual Governance Statement 2021/22

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 & Wales) Regulations 2015.
4. This Governance Statement explains how the Council has maintained sound governance during the 2021/22 financial year 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 2022 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

10. Watford Borough Council operates an elected Mayor and Cabinet model of governance under the Local Government Act 2000 and 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, and Finance Scrutiny Committee to scrutinise the actions of the elected Mayor and Cabinet and assist with policy development. This is done either directly by those committees or by Overview and Scrutiny Committee establishing task and finish task groups to look at particular areas of interest. In addition, the Council has further committees that cover non-executive functions, these are; Licensing, Development Management, Audit, Functions, Standards, Chief Officer Pay Panel and Appointments. It also has a number of advisory member groups such as Major Projects Board, Planning Advisory Group, Housing Advisory Group, the Health and Wellbeing Forum, the Sustainability Forum, the Constitution Working Party, Member Development Group, and Constitution Working Party.
11. Watford Borough Council has a directly elected Mayor, which means that the community elect that person to lead the council at four yearly intervals. The Mayor is supported by a Cabinet made up of elected councillors 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 delegated decisions within their area of responsibility as set out in the Executive Scheme of Delegation, individual officers can also make decisions as set out in both the Executive Scheme of Delegation and the Councils Functions Scheme of Delegation in the Constitution.
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, Code of Conduct for Councillors and a separate code for Officers, 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 fill in a register of disclosable pecuniary and other interest when they are elected and also declare any disclosable pecuniary or non-pecuniary interests as and when they occur.

Strategic Aims and Objectives

17. The governance framework enables the Council's key objectives as outlined in the Council Plan 2020-24. These can be summarised as follows:

Our corporate themes

1 A council that serves our residents

We are a different kind of council - pioneering and always searching for better answers; a bold council that gets things done, focuses on opportunity and challenges old-fashioned thinking. We work as 'one team' and everything we do is to make our town successful and improve the lives of our residents.

2 A thriving, diverse and creative town

We want Watford to be an outstanding place for everyone: residents, business owners and visitors alike. Our plans have created a thriving and attractive town, but we know we cannot stand still. We must always look to the future and be ambitious for Watford, to guarantee our continued success and prosperity. This has never been more important as we look to thrive post COVID-19.

3 A healthy and happy town

Our community are the strength and the heart of Watford. We know they have great civic pride and enjoy getting involved in the life of the town. We have seen them care for each other like never before and we want this great spirit to be the launchpad for something very special for Watford in the years to come. Our diverse town inspires us every day and we want its community to really feel a part of our joint future.

Our themes:

- A council that serves its residents
- A thriving, diverse and creative town
- A happy and healthy town

Our commitments

Under each theme are a series of commitments (see below). Both the themes and commitments are reflected in a detailed Delivery Plan (2020-22), which detail a series of series of measurable (SMART) activities that will make sure the Council delivers what it has set out to do. By establishing this 'golden thread' or strategic alignment, which also informs service plans and individual objectives, every member of staff and our community can feel fully engaged in the process.

18. 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 Council has a Leadership Board made up of the Managing Director and Group/Executive Heads of Service. The Council also has a Management Board which meets monthly and in addition to members of Leadership Board also comprises Heads of Service. Financial control is primarily the responsibility of a shared Director of Finance with neighbouring Three Rivers District Council. Leadership Board meets fortnightly to review and progress the key objectives of the Council. The Council also has a Strategic Board chaired by the Managing Director to consider the overall strategic direction of the Council. In addition, there are a variety of officer boards that look at the council's commercial and property investments.

20. Overall financial control is monitored regularly by Leadership Board and the Finance Scrutiny Committee, and quarterly by Cabinet. Budget preparation is influenced by the Council's

Medium-Term Financial Strategy (MTFS) which forecasts budget pressures and available resources over a four-year period. This MTFS is reported quarterly to Cabinet and Finance Scrutiny Committee 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 Finance Scrutiny Committee).

Constitution

21. 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.
22. The Council's Constitution is available to all on the Council's website.
23. 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.
24. The council's key strategic document, the Council Plan has a four year focus, supported by a two year Delivery Plan. These 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 Delivery Plan is reported to the public through quarterly reports to Cabinet and Overview and Scrutiny Committee and the Council's magazine, About Watford, which is distributed to every household in the Borough and is also available online.
25. 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), risk 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.
26. The Council also has 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.
27. 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, including those of the Council's outsourced services, it can also set up task and finish groups to look in depth at issues it wishes to scrutinise and it also scrutinises the Community Safety Partnership. In addition, the Standards Committee considers member conduct and the Finance Scrutiny Committee considers financial issues. 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.

28. 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.
29. Codes of Conduct defining the standards of behaviour for members, staff, partners and the community have been developed and communicated. 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;
 - 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.
30. The Group 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.
31. 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

32. 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.
33. 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 Board and the Audit Committee. This Strategy underpins the Corporate Risk Register which was updated and approved by the Audit Committee in March 2021 and covers major issues that will affect the achievement of the council's key objectives. The Corporate Risk Register is at a strategic / high level and is complemented by detailed project and service area registers. The Corporate Risk Register is reviewed quarterly by Leadership Board and is reviewed annually by Audit Committee. It was last reviewed by Audit Committee in March 2021.

Business continuity and emergency planning are other key aspects within the corporate governance framework. This is the responsibility of the Group Head of Transformation.

34. 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, human resources, pest control and procurement with Three Rivers District Council. Both councils also share the statutory post of Chief Financial Officer (S151) - 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, human resources, pest control and procurement 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 Council Plans, quarterly reports to Cabinet and Overview and Scrutiny Committee and the regular editions of 'About Watford'. The directly elected Mayor, Peter Taylor, 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 has a devolved budget of £3,000. 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', 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. Local residents are also invited to attend a range of Forum (such as the Community Forum, Pensioners Forum, Sustainability Forum), 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, it is because current governance arrangements have proved fit for purpose.

42. The review of effectiveness is informed by the work of the Senior Leadership within the Council 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 regular reviews and on a day to day basis.

The Council

43. 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. Council met five times during 2021/22 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.

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 Group/Executive 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 the Council's website.

48. Cabinet met eight times during 2021/22.

The Review Committees

49. The Council has two review committees, Overview and Scrutiny Committee and Finance Scrutiny Committee. Their 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 agreeing the final reports;
- Setting a rolling scrutiny work programme.

The committee met nine times in 2021/22.

51. Finance Scrutiny Committee comprises eight members and its work includes:

- To examine the Medium-Term Financial Plan,
- To examine the budget strategy for the relevant financial year,
- To review the service spending priorities for the relevant financial year,
- To challenge, question and test those strategies and plans,
- To examine the draft proposals for the following financial year's budget,
- To challenge if the proposals match the strategy and priorities,
- To forward comments on the budget proposals to Cabinet in time for it's January budget meeting;

The Financial Scrutiny Committee met five times in 2021/22.

Member Panels

52. There have been a number of cross-party member panels and scrutiny task groups to review and monitor various areas of Council activity. These included the Sustainable Transport Strategy Task Group (November/December 2021) which looked at the draft strategy and made recommendations to accompany the final report to Cabinet and the Electric Vehicles Task Group (January/February 2022) which made recommendations to further encourage and enable the use of electric vehicles in the borough. The recommendations of both of these task groups were fully accepted by Cabinet.

Standards Committee

53. The Standards Committee is set up as and when required to consider matters of Member conduct. There were no meetings of this committee in 2021/22.

Members Remuneration

54. Members remuneration was reviewed in 2018 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 recommend that with effect from April 2019 the Basic Allowance should be linked to local government pay settlements and increased accordingly.

55. The Independent Remuneration Panel now sits on a quadrennial basis and is therefore next due to meet in 2021.

Senior Management

56. There are three Council Officers who have statutory appointments - the Managing Director's role as the Head of Paid Service, the Shared Director of Finance's role as the Section 151 Officer and the Group Head of Democracy & Governance as the Monitoring Officer. Leadership Board comprises the three statutory appointments above, plus the following officers: Group Head of Community and Environmental Services, Executive Head of Strategy & Communications, Group Head of Transformation (post filled until February 2022), Executive Head of Human Resources, Group Head of Place, Executive Head of Commercial and Innovation. Leadership Board meets every 2 weeks.

Performance Management

57. Performance management follows a 'cascade' principle. The Council approves a Council Plan with a medium term – four year focus. The Council plan outlines the Council's high level commitments, linking to themes that have been identified as priority areas for the organisation and the town. The Council Plan is supported by a detailed two year Delivery Plan, which sets out the activities which will deliver the Council's commitments and by which it can be monitored and progressed assessed. The Council Plan and Delivery Plan then cascade down to individual service plans, which in turn translates into team and individual work plans. Performance is monitored regularly by Cabinet, Overview and Scrutiny Committee and Leadership Team.

58. The Council keeps residents and stakeholders informed of its progress through a publication called 'About Watford' which is delivered to every household and covers key issues, events and challenges. This publication is also made available online. It also has a large social media following across Facebook, Twitter and Instagram platforms which are becoming a significant channel for communicating and engaging with residents.

Procurement

59. The Council aims to use its resources efficiently, effectively and economically.

60. 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 and legislation.

The Audit Committee

61. The Audit Committee comprises five members and met four times during 2021/22.

62. 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

63. 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.

64. 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 preceding financial 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.
65. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report is compiled and presented to the first Audit Committee of each year, which:
- includes an opinion on the overall adequacy and effectiveness of the Council's internal control environment.
 - discloses any qualifications to that opinion, together with any reasons for the qualification.
 - draws attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.
66. The SIAS Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. For 2021/22 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 2021/22.
 - A Reasonable assurance opinion is given on the adequacy and effectiveness of both financial and non-financial systems in the internal control environment, based on the internal audits completed in the year. There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

The Council's External Auditors

67. External auditors, Ernst & Young LLP, 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.
68. The conclusion of the external audits for 2019/20 and 2020/21 has been delayed but a plan is in place to bring the audit back in line with the statutory timetable.
69. The Local Government contract for the Council was awarded to EY (Ernst & Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017 EY were appointed by PSAA as auditor for Watford Borough Council for 2018/19 onwards.

The Financial Management Code of Practice

70. The CIPFA Financial Management Code of Practice (FM Code) was published in November 2019. It sets out the 'gold standard' for financial management arrangements in local government. The FM Code does not have statutory status but brings together best practice and statutory guidance including the Prudential Code for Capital Finance in Local Authorities. Local authorities were expected to comply with the FM Code from 2021/22.

71. Appendix 2 is a self-assessment against the FM Code and includes actions for improvement and enhancement of current practices.

SIGNIFICANT GOVERNANCE ISSUES

72. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2021/22 and no outstanding matters were brought forward from 2020/21.

Certification Statement from the Elected Mayor and the Managing Director

73. 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.

74. It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

Signed _____

Date _____

Peter Taylor - Mayor

Signed _____

Date _____

Donna Nolan - Managing Director

WBC Annual Governance Statement 2021/22 Action Plan

No.	Issue	Action	Resolved	Updates
	No significant issues identified.			

Financial Management Code Compliance Self-Assessment 2021/22

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
1. Responsibilities of the Chief Finance Officer (CFO) and Leadership Team				
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money (VfM)	Services use peer reviews incorporating benchmarking to inform opportunities to improve VfM. All tenders consider VfM by considering the quality of service and not just price.	Developing a Continuous Improvement Plan which will take shape during 2022/23.	GREEN
B	The authority complies with the CIPFA "Statement of the Role of the CFO in Local Government"	The CFO is qualified accountant with significant experience working as an active member of the leadership team. The CFO is a member of Leadership Board and has an influential role with members of the Cabinet, Audit Committee and lead opposition members. Role profiles within the finance team have been refreshed to ensure that the team is suitably resourced and fit for purpose.		GREEN
2. Governance and Financial Management Style				
C	The Leadership Team demonstrates in its actions and behaviours responsibility for governance and internal control	The Statutory Officer Group exists to ensure good governance and internal control, including driving the production of the Annual Governance Statement (AGS) and Action Plan through the completion of Annual Assurance Statements by Leadership Board.	Expansion of the Statutory Officers Group to include the Chief Internal Auditor (role fulfilled by Client Audit Manager through SIAS Partnership)	GREEN
D	The authority applies the CIPFA/SOLACE "Delivering Good Governance in Local Government: Framework (2016)"	Annual Governance Statement (AGS) includes internal audit opinion on effectiveness of internal control environment and systems of internal control. The Council updates the Local Code of Governance annually.		GREEN
E	The Financial Management style of the authority supports financial sustainability	At the core of the Finance Shared Service is a technical accounting team that provides the accounting framework, treasury management function for the organisation. The budget setting process and support for strategic financial matters is delivered by the Director of Finance and Head of Finance. The Finance Business Partner team provides dedicated support to Heads of Service and budget managers with financial planning and monitoring.	Implementation of the Finance Business Partnering model will strengthen relationships between finance and services.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
3. Long to Medium-Term Financial Management				
F	The authority has carried out a credible and transparent financial resilience assessment	An annual assessment is made for the prudent minimum level of General Balances and this forms the basis of the budget planning process. In addition, the authority holds earmarked reserves to manage specific risks such as the Croxley Business Park Reserve and the Business Rates Reserve. In making this assessment Officers use the CIPFA Financial Resilience index to benchmark against other local authorities.		GREEN
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	The budget papers and MTFS outline the financial challenges and opportunities facing the Council. Budget planning reports to Cabinet clearly set out the financial planning environment and any assumptions made.		GREEN
H	The authority complies with the CIPFA "Prudential Code for Capital Finance in Local Authorities"	An annual Capital and Investment Strategy is set by Council alongside a three-year Capital Investment Programme, Treasury Management Strategy, Annual Investment Strategy and Minimum Revenue Provision Policy. The Capital Programme is monitored monthly with reports produced quarterly for Leadership Board, Finance Scrutiny Committee and Cabinet. Mid-term and Outturn Treasury Management reports are taken to Audit Committee and Cabinet, including monitoring of Prudential Indicators.		GREEN
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	The Council has an integrated Business and Budget Planning Process with a three-year MTFS supported by Service Plans.		GREEN
4. The Annual Budget				
J	The authority complies with its statutory obligations in respect of the budget setting process	The Council produces an annual balanced budget and supporting documentation within the necessary timeframe.		GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
K	The budget report includes a statement by the CFO on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	The CFO's S25 report forms part of the budget report to Council and includes a commentary of the adequacy of proposed financial reserves.		GREEN
5. Stakeholder Engagement and Business Plans				
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	The Council's budget priorities are closely linked to the Council's Corporate Plan and Mayoral manifesto pledges which are voted on every four years. The Finance Scrutiny Committee considers and provides comments to Cabinet on the budget proposals. Specific proposals for service changes are taken through a formal public consultation process as part of the decision making process.	Establishment of Citizen Panels which will help to establish resident priorities in terms of budget allocation.	GREEN
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	A business case is required for all capital schemes which sets out alternative options, the reasons for discounting them and benefits of progressing with the scheme. All tenders consider VfM by considering the quality of service and not just price – the appraisal process is documented. Cost estimates for capital projects are subject to robust challenge. Projects are managed within the Council's project management framework and supported by the Council's well established Enterprise Programme Management Office (EPMO).		GREEN
6. Monitoring Financial Performance				
N	The Leadership Team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	The quarterly monitoring report to Cabinet enables Leadership Board and Cabinet to respond to emerging risks – the effectiveness was evidenced during 2020/21 and 2021/22 as the Council agreed an in year budget changes to respond to the financial impact of COVID-19. The report is also considered by Finance Scrutiny Committee.	During 2022/23 the reporting framework will be enhanced to provide greater transparency.	GREEN

Ref	CIPFA Financial Management Standards	Current Status	Further Work	RAG Status
O	The Leadership Team monitors the elements of its balance sheet that pose a significant risk to financial sustainability	The quarterly monitoring report to Cabinet includes monitoring of key balance sheet items including balances, reserves, debtors, and cash (including the performance of Treasury Management).	Increase the visibility of relevant balance sheet items for service managers through improving service level reporting on earmarked reserves and aged debtors.	GREEN
7. External Financial Reporting				
P	The CFO has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the “Code of Practice on Local Authority Accounting in the United Kingdom” (The Code)	The annual accounts are produced in compliance with The Code. The accounts receive an unqualified audit opinion. Issues raised by the External auditors in relation to the 2019/20 accounts have been addressed by Officers.	The delay to the audit of the 2019/20 and 2020/21 accounts has impacted on the timeliness of financial reporting. However, a plan is in place with the Council’s external auditors to bring the audit timetable back within the statutory framework by April 2023.	AMBER
Q	The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Leadership Board and Cabinet consider outturn report and year end variances in a timely manner enabling strategic financial decisions to be made as necessary including transfers to reserves and agreed carry forwards for both revenue and capital budgets.		GREEN

**Watford Borough Council
Annual Governance Statement
2021/22
Local Code of Governance**

What do we mean by Governance?

1. The International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework') defines governance as follows:

“Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.”

2. The International Framework also states that:

“To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.”

3. Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
4. Governance comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which it accounts to, engages with and, where appropriate, leads its communities.
5. Good governance leads to:
 - good management,
 - good performance,
 - good stewardship of public money,
 - good public engagement,
 - good outcomes for citizens and service users.
6. Good governance enables the Council to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
7. The Council, along with each and every other local authority, aims to meet the standards of the best and its governance arrangements should not only be sound but also be seen to be sound.

Governance Framework

8. The Council operates through a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes.
9. The Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) drew together a Working Group to compile a framework document entitled “Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) (‘the Framework’).”
10. This Framework document is intended to be followed as best practice for developing and maintaining a local code of governance and for discharging accountability for the

proper conduct of public business, through the publication of an annual governance statement that will make the adopted practice open and explicit.

11. To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.
12. It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Council's Commitment

13. The Council is committed to the principles of good governance and wishes to confirm its ongoing commitment and intentions through this Local Code of Governance.
14. This Code sets out and describes the Council's commitment to 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.
15. Accordingly, the Council will test its arrangements by:
 - reviewing its existing governance arrangements against this revised Code,
 - maintaining an up-to-date Local Code of Governance including arrangements for ensuring its ongoing application and effectiveness,
 - on an annual basis, prepare a governance statement in order to report publicly on the extent to which the Council complies with this code, including how the effectiveness of its governance arrangements have been monitored in the year and on any planned changes in the coming period.

The Principles of Good Governance

16. The core principles and sub-principles of good governance set out below are taken from the International Framework. In turn they have been interpreted for a local government context.

The Seven Core Principles

17. Principles A and B permeate implementation of principles C to G.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

The core principle is supported by three supporting principles:

- a) Behaving with integrity,
- b) Demonstrating strong commitment to ethical values, and
- c) Respecting the rule of law.

B. Ensuring openness and comprehensive stakeholder engagement

Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

The core principle is supported by three supporting principles:

- a) Openness,
- b) Engaging comprehensively with institutional stakeholders, and
- c) Engaging with individual citizens and service users effectively.

18. In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good governance also requires a commitment to and effective arrangements for principles C to G.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

The core principle is supported by two supporting principles:

- a) Defining outcomes, and
- b) Sustainable economic, social and environmental benefits.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

The core principle is supported by three supporting principles:

- a) Determining interventions,
- b) Planning interventions, and
- c) Optimising achievement of intended outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

The core principle is supported by two supporting principles:

- a) Developing the entity's capacity
- b) Developing the capability of the entity's leadership and other individuals

F. Managing risks and performance through robust internal control and strong public financial management

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

The core principle is supported by five supporting principles:

- a) Managing risk,
- b) Managing performance,
- c) Robust internal control,
- d) Managing data, and
- e) Strong public financial management.

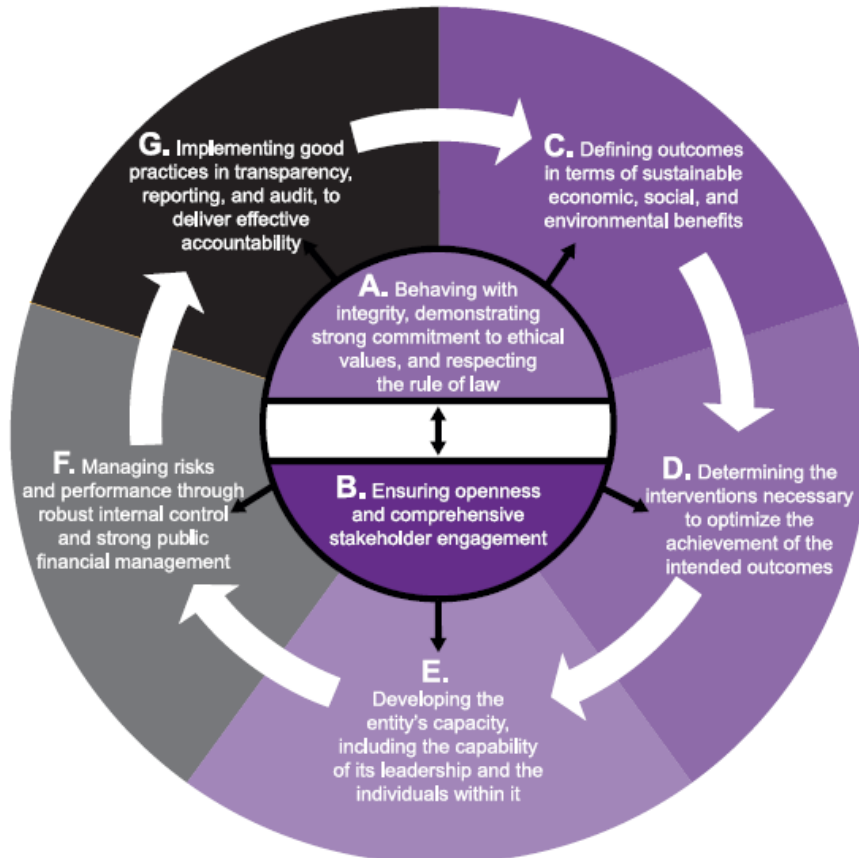
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

The core principle is supported by three supporting principles:

- a) Implementing good practice in transparency,
- b) Implementing good practices in reporting, and
- c) Assurance and effective accountability.

19. These principles are illustrated in the following diagram: (from CIPFA/SOLACE)



Monitoring and Review

20. The Council will carry out an ongoing review and monitoring of its governance arrangements (see Appendix A) and how these arrangements comply with the Framework document and this Local Code. This review and monitoring will include references to, amongst other things:

- Group/Executive Heads of Service Management Assurance Statements,
- Constitution Review arrangements,
- Ethics arrangements,
- Shared Internal Audit Service's Annual Report,
- Performance management arrangements,
- Risk management arrangements,
- Council's decision making arrangements,
- Freedom of information and data protection arrangements, and
- Council's complaints procedures (3C's).

21. The results of this process will be incorporated into an Annual Governance Statement (AGS), the preparation and publication of which is necessary to meet the statutory requirement of the Accounts and Audit Regulations 2015.

22. The purpose of the AGS is to provide an assurance that:

- governance arrangements are adequate and operating effectively

- where the review has revealed gaps, action is planned that will ensure effective governance in future

23. The AGS will be presented to the Council's Audit Committee and then Cabinet.

24. Once approved, the AGS will be signed by the Elected Mayor and the Managing Director and will be published with the Annual Statement of Accounts, prior to being reviewed by the Council's External Auditors.

May 2022

Core Principles	A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	B - Ensuring openness and comprehensive stakeholder engagement	C - Defining outcomes in terms of sustainable economic, social, and environmental benefits	D - Determining the interventions necessary to optimise the achievement of the intended outcomes	E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	F - Managing risks and performance through robust internal control and strong public financial management	G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	<p>Constitution</p> <p>Financial Procedure Rules</p> <p>Contract Procedure Rules</p> <p>Responsibility for Executive functions (delegation)</p> <p>Responsibility for Council functions (delegation)</p> <p>Councillor and Officer Codes of Conduct</p> <p>Annual Governance Statement</p> <p>Members Remuneration Scheme</p> <p>Contract Management Toolkit</p> <p>Project Management Toolkit</p>	<p>Constitution</p> <p>Local Strategic Partnership – One Watford</p> <p>Service Level and Partnership Agreements</p> <p>Transparency and Open Data</p> <p>Freedom of Information Act 2000</p> <p>Freedom of Information Publication Scheme</p> <p>Watford Observer</p> <p>Community Survey</p> <p>Communications and Engagement Plan</p> <p>In Touch</p> <p>Ask the MD</p>	<p>Council Plan (2020-24)</p> <p>Delivery Plan (2020-22)</p> <p>Strategic Group</p> <p>Community Safety Plan</p> <p>Local Development Plan</p> <p>Watford Parking Strategy</p> <p>Gambling Policy</p> <p>Economic Growth Strategy</p> <p>Homelessness Review</p> <p>Housing Strategy</p> <p>Waste Management & Recycling Policy</p>	<p>Constitution</p> <p>Council Plan (2020-24)</p> <p>Delivery Plan (2020-22)</p> <p>Medium Term Financial Strategy</p> <p>Service Plans</p> <p>Committee Meetings, Agendas and Minutes</p> <p>Finance Scrutiny Committee</p> <p>Local Strategic Partnership – One Watford</p> <p>Communications and Engagement Plan</p> <p>Leadership Board</p>	<p>Organisational Development Strategy and Delivery Plan</p> <p>HR Policies</p> <p>Performance Development Review (appraisals)</p> <p>Job / Person Specifications</p> <p>Employee Health and wellbeing Strategy</p> <p>Health and Safety Group</p> <p>Safeguarding Policy</p> <p>Members and Staff Induction Programme</p> <p>Sickness Absence Policy</p>	<p>Medium Term Financial Strategy</p> <p>Treasury Management Strategy</p> <p>Finance Scrutiny Committee</p> <p>Audited Annual Statement of Accounts</p> <p>Revenue and Capital Budgets</p> <p>Risk Management Strategy</p> <p>Corporate and Service Risk Registers</p> <p>Annual Management Assurance Statements</p>	<p>Facility for Council to receive petitions</p> <p>Residents / business owners submit relevant questions in writing for consideration and response at Council meetings</p> <p>Freedom of Information Publication Scheme</p> <p>Notice of Executive Decisions</p> <p>Committee Meetings, Agendas and Minutes</p> <p>Local Government Transparency Code – Transparency and Open Data</p>

Evidence of Good Governance	Whistleblowing Policy	Contracts Register	Cabinet	Management Board		Annual Governance Statement	Shared Internal Audit Service (SIAS)
	Anti-Fraud and Anti-Corruption Policy	Customer Feedback / Complaints Process		Cabinet			
	Bribery Policy	Citizens Panel		Council		Shared Internal Audit Service (SIAS)	Head of Assurance Opinion and SIAS Annual Report
	RIPA Policy	Website		Annual Council		Annual Audit Plan Report	Annual Fraud Report
	Equality Impact Assessments	Intranet				SIAS Progress Reports	Treasury Management Reports
	Bullying and Harassment Policy	Social Media Channels				Head of Assurance Opinion and SIAS Annual Report	
	Register of Members' Interests					External Auditors	
	Notification of Gifts & Hospitality (members and officers)					External Audit Annual Audit Letter	
	Audit Committee					Committee Meetings, Agendas and Minutes	
	Overview and Scrutiny Committee					Data sharing protocols	
	Finance Scrutiny Committee						
	Task Groups and Member Panels						
	Ombudsman Reports						

Core Principles	A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	B - Ensuring openness and comprehensive stakeholder engagement	C - Defining outcomes in terms of sustainable economic, social, and environmental benefits	D - Determining the interventions necessary to optimise the achievement of the intended outcomes	E - Developing the entity's capacity, including the capability of its leadership and the individuals within it	F - Managing risks and performance through robust internal control and strong public financial management	G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability
Evidence of Good Governance	<p>Protocol on Member / Officer Relations</p> <p>Standards Committee</p> <p>Fraud Service and Annual Report</p> <p>Leadership Board: - Managing Director (Head of Paid Service) - Shared Director of Finance (Section 151 Officer) - Group Head of Democracy and Governance (Monitoring Officer) - Executive / Group -Heads of Service</p> <p>Data Protection Policy</p> <p>Customer Feedback / Complaints Process</p>					<p>Budget Monitoring</p> <p>Finance Digest</p> <p>Overview and Scrutiny Committee</p> <p>Audit Committee</p> <p>Financial Procedure Rules</p> <p>Contract Procedure Rules</p>	