

PART A

Report to: Audit Committee
Date of meeting: 26th June 2013
Report of: Head of Strategic Finance
Title: Annual Governance Statement 2012/2013

1.0 **SUMMARY**

1.1 This report sets out the Annual Governance Statement (Appendix A) that the council is required to produce annually, for inclusion in the Statement of Accounts. Best practice requires that Members consider this separately before inclusion within the accounts.

2.0 **RECOMMENDATIONS**

2.1 That the Annual Governance Statement set out as Appendix A be approved.

Contact Officer:

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3.0 **DETAILED PROPOSAL**

3.1 It is a statutory requirement that all authorities are required to produce an Annual Governance Statement (AGS). The purpose of the Statement is to demonstrate that the council has put in place proper arrangements for the governance of its affairs and for their continued effectiveness.

3.2 The AGS has been reviewed by Cipfa/ Solace during 2012/ 2013 and they have produced a publication 'Delivering Good Governance'. Its major themes include to 'give an increased emphasis on a strategic approach' and 'should provide a review of the effectiveness of governance arrangements in the year and on any planned changes in the coming period'. In other words it should not be seen as an historic backwards looking document but needs to anticipate issues still to come.

3.3 Grant Thornton has also produced a document entitled 'Improving council governance, a slow burner'. Main features within the report included the following key risks:

- the effect of government policies means dealing with spending reductions, changes around Universal Credit and business rates localisation.
- risks associated with greater use of contractors to provide public services was a particular concern. How will they be monitored in the context of good governance.
- do Audit Committees have the ability/ skills to respond to a changing environment.
- many councils follow too rigidly the Cipfa/ Solace guidance rather than reflecting the unique features and challenges of their individual council.
- good council governance is much more than publishing statements of compliance. It is about ensuring an entire organisation is aligned to achieving its strategic goals effectively and ethically.
- councils should be surveying users and other stakeholders (people who really know how the council are doing).
- limited resources should be focused upon areas of greatest risk.
- many authorities admit that they do not have robust arrangements for developing members.

3.4 A recent article in Local Government Chronicle also postulated the argument...' Annual Governance Statement...who cares?'

The author continues:

- I do care about the resources wasted to produce an AGS that looks the same as the next council's.
- I care that they are dull and far too long
- It bothers me that they are largely retrospective, that they are probably written in a darkened room by some poor soul who picked up the task

when it popped up as the last item on the meeting's agenda

- I care that the content of the AGS is how councils see governance— paper based and a list of must dos rather than the business of running the council for the benefit of the public
- I care more that the AGS might reflect the latent bureaucracy and mediocrity that might still prevail in local government (No, Eric Pickles was not the author).
- I care that councils do not use the AGS as a driver of their future proofing and to ensure that their governance will remain sufficiently robust to withstand the stresses and risks of the changing operating environment.

3.5 It is hoped that the Governance Statement at Appendix A goes some way to meeting all of the above objectives. Finally, the Audit Committee's attention is particularly drawn to the section on Significant Governance issues, which sets out priority areas for improvement. The guidance on the AGS is very clear that an AGS with no such issues to report is likely to be a sign of an ineffective governance culture.

3.6 In accordance with recommended practice, the Governance Statement has been reviewed by Leadership Team on 14th May 2013.

4.0 **IMPLICATIONS**

4.1 **Financial**

4.1.1 The Head of Strategic Finance comments that there are no financial implications arising directly from this report.

4.2 **Legal Issues** (Monitoring Officer)

4.2.1 The Head of Legal and Property Services comments that the requirement to publish an Annual Governance Statement arises from the Accounts and Audit (Amended) Regulations (England) 2006.

4.3 **Equalities**

4.3.1 The Council's commitment to equalities is reflected in its values and hence in this Statement.

4.4 **Potential Risks**

| Potential Risk | Likelihood | Impact | Overall score |
|---|------------|--------|---------------|
| Failure to correctly identify key issues | 2 | 4 | 8 |
| The ongoing review of the Governance Statement is designed to minimise the risk of over-looking important issues. Failure to do so could lead to problems for the council, including financial loss, reputational risk and adverse comment from the external auditor. | | | |

Appendix

Appendix A - Annual Governance Statement

Background Papers

If you wish to inspect or take copies of the background papers, please contact the officer named on the front page of the report.”

Delivering Good Governance in Local Government – SOLACE/CIPFA
Improving Council Governance, a slow burner—Grant Thornton
The Annual Governance Statement – CIPFA Finance Advisory Network

File Reference

None