

Annual Governance Statement 2011/12

Scope of Responsibility

1. Waverley is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively.
2. In discharging this overall responsibility, Waverley must put in place proper arrangements for governing its affairs to help it exercise its functions, which include arrangements for managing risk. Waverley's Code of Corporate Governance accords with the CIPFA/SOLACE Framework "Delivering Good Governance in Local Government". This Annual Governance Statement has been prepared in accordance with the proper practices as defined in the Code. A copy of the Code is available on the Council's website.
3. The purpose of this Annual Governance Statement (AGS) is to explain how Waverley has complied with the principles of the Code. It also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement. Where there is scope to improve current arrangements when compared with the Code, the actions have been identified and are contained in the action plan at the end of this Statement.
4. The Annual Governance Statement underpins the Corporate Plan and other key corporate strategies, including the Medium Term Financial Strategy, the workforce plan, equalities and diversities action plan and the Council's environmental policies. It has been prepared with the assistance of the Council's Corporate Management Team (CMT).
5. The evidence for this Statement is drawn from Council, Executive, Corporate Management Team and Heads of Service Team work. The work of internal and external audit is also taken into account. The system of internal control also covers the Council's group activities.

The purpose of the governance framework

6. The "governance framework" comprises the systems, processes and controls, and the culture and values by which Waverley is directed and controlled and its activities through which it accounts to, engages with, and leads, the community. It enables Waverley to monitor how it achieves its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services. It has a key role in maintaining public confidence that Waverley is following high standards of governance.
7. The system of internal control is a significant part of that framework and is designed to manage, but not eliminate, risk of failure to achieve policies, aims and objectives and it provides reasonable assurance of its effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to achieving Waverley's policies, aims and objectives.

8. When the Code of Governance was adopted, an action plan was identified that would address areas where the Council's approach could be strengthened. It is important to keep the Council's policies and practices under review, and to that end the action plan was refreshed during 2011/12 and a number of items have been included in the plan that are for completion in 2012/13.

The Governance Framework

Identifying and communicating the Authority's vision of its purpose and intended outcomes for its citizens and service users

9. The Council agreed its Corporate Plan 2012 –15 in February 2012. This sets the direction of the Council for the 4-year period until the Council elections in 2015. The plan is available from the Council's website. It will be communicated to all residents through a special feature in the June edition of 'Making Waves' – the Council magazine which is circulated to all households three times a year.
10. Individual services support the achievement of the Corporate Plan's priorities. The Council amended its process for preparing service plans in 2009/10 to ensure that there was a much clearer link established between each service and the delivery of the Corporate Plan priorities. The service plans set out the key priorities and targets for each service for the coming year. Service heads presented their plans to a joint meeting of all overview and scrutiny committees before they were finally agreed by the Executive in March. Progress against service plan actions is monitored using 'Covalent', Waverley's performance management software.
11. An annual report is produced highlighting progress and achievements against the Corporate Plan targets and reported to the Executive. In March 2011 this report was produced covering the whole period of the previous Corporate Plan. The results were posted on the Council's website, as well as being made available through the traditional committee papers. The next progress report will be produced in March 2013 to cover the first year of the current Corporate Plan. Many key targets and milestones had been reached. The Council has now operated the 'Strong Leader' model for executive arrangements, following consultation with the Citizens' Panel on governance, for a year.

Reviewing Waverley's vision and its implications for the Council's governance arrangements

12. The Corporate Plan covers the period 2012-15. The Council will be reviewing its list of key performance indicators to ensure these continue to be aligned to the Corporate Plan priorities. The list of indicators and future targets for performance are kept under review by the Overview and Scrutiny Committees and the Executive. The annual budget is set to accord with the Corporate Plan and the Council's financial strategy. Operational performance is scrutinised by the Council's Overview and Scrutiny Committees, and the Audit Committee reviews financial process, policies and organisational controls.
13. Regular revenue budget monitoring takes place throughout the year, and reports are taken to the Executive that highlight variations and provide information on changes in trends and circumstances. Throughout 2011/12, regular review of the progress on capital programme projects was undertaken

with the involvement of the Finance Portfolio Holder and the Chief Executive. This has resulted in the early identification of flexibility in the capital budget needed to respond to fluctuations in revenue income. This review process ensures that funds can be quickly re-allocated to high priority projects that meet corporate objectives.

14. The Council continued to report performance information to Corporate Management Team on a monthly basis, with Heads of Service subject to challenge if performance was below target. Quarterly performance results were considered by the Overview and Scrutiny Committees and the Executive. The Overview and Scrutiny Committees had specific 'Performance Sub Committees' which went through the reports in detail with officers and reported their findings, concerns and recommendations back to the main Committees.

Established, clear channels of communication with all sections of our community and other stakeholders, ensuring accountability and encouraging open consultation

15. Membership of Waverley's Citizens' Panel was refreshed in 2009/10. An external consultant was appointed to recruit to the new panel to ensure that it was as representative of Waverley's demographics as possible. The first consultations took place with the new panel in the summer of 2010 and a further consultation took place in March 2011 and January 2012. Results of each survey are reported to the Executive Members and staff and a 'You Said, We Did' is reported back to panel members. The next survey is planned for July 2012. The Landlord Partnership SIG is charged with developing and implementing an action plan to improve the housing and related services.
16. Internal consultations also take place as appropriate with staff. Service heads liaise with each other as appropriate when preparing policies and/or making changes to operational methodologies. Staffside, a group of staff representatives, is consulted on changes to conditions of employment, matters of staff conduct and pay negotiations. Working groups of officers, membership of which may be extended to Council Members as applicable e.g. the relevant portfolio holder, are formed to steer new initiatives and other key matters, the membership being drawn from all departments thus helping to ensure corporate coordination. Regular briefings of staff are undertaken such as the fortnightly cascade briefing and all-staff Chief Executive briefings, and there are regular fortnightly Corporate Management Team, Heads of Service Team and 'Connectors' middle management meetings. The 'Connectors' middle management group has been reviewed at the beginning of 2012/13 to make it a more proactive and action-focused group. In addition, a new method of cascading to all team leaders and managers across the organisation is being introduced to ensure consistency of message.
17. Waverley continues to work with local businesses and their representative bodies such as the Chamber of Commerce and Federation of Small Businesses and the Council held its key seminar in January 2011. Outcomes that have arisen from this consultation included revising the way that the Council contracts for goods, works and services to provide greater opportunity for local businesses to bid for its contracts and implementing its 10-day payment target for local businesses to help their cashflow.

18. In recent years, the Council has incorporated a range of measures in its budget arising from a comprehensive budget consultation exercise that was undertaken with a large representative sample of Waverley's residents. Town and Parish councils also participated as did a sample of Waverley's housing tenants. In 2012/13 the financial saving arising from the negotiation of new recycling and grounds maintenance contracts have benefited council taxpayers. These actions followed consultation with service users.
19. Waverley made significant changes over the past few years to the way that equalities and diversity issues are managed and reflected across its wide range of services. This work includes training for all staff, improved Equality Impact Assessments and strengthened joint working with partners and stakeholders. Waverley was independently inspected through a Peer Inspection in March 2010 and Waverley was assessed as being at 'achieving' level, which was a significant improvement on the previous year's position. Staff were required to complete a short distance-learning course provided by a local college that led to award of a certificate to all those who successfully completed the course work – more than 380 were completed. Equality and Diversity forms an important part of the induction programme for all new starters.
20. Waverley has several forums in place which ensure on-going communication and consultation with different groups in the Community, such as the Waverley Disability Forum, the Waverley Faith Forum, the Top Youth Council and the Tenants Panel. Waverley also takes an active role in the Waverley Health and Social Inclusion Group – bringing a variety of public sector and community partners together.

Defining and documenting the roles and responsibilities of the Executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

21. The Council's Constitution contains many of the documents that guide and regulate the way in which Council business is conducted. It contains definitions of the roles and functions of the various postholders and the committee roles and terms of reference. Committees regularly review their terms of reference and make appropriate recommendations to the Council for amendments to them.
22. The Constitution also sets out the requirements by which overview and scrutiny committees may call-in decisions of the Executive for review, or may undertake reviews of their own. The Constitution also sets out the terms of reference of all committees. The Audit Committee has refocused its key role in overseeing production of financial and other performance data and reports, and is now turning to review risk management.
23. A forward programme is published that lists forthcoming items of business for the Executive. Meetings are open to the public, and only a very small amount of business is excluded from the press and public for a limited number of prescribed reasons. All key meetings are webcast, to which the Council has reaffirmed its commitment and upgraded the system. A "call-in" procedure is open to members of overview and scrutiny committees, giving the opportunity to examine decisions of the Executive before they are implemented. Roles and

responsibilities are defined and laid down in a number of Council documents, the key ones being:

- The Constitution
- Scheme of Delegation
- Financial Regulations
- Contract Procedure Rules
- Codes of Conduct (for both members and staff)
- Member/officer protocol
- Planning Code of Conduct

The Constitution and Scheme of Delegation were reviewed during 2010/11 as part of the Strong Leader review and changes made as appropriate. The Council is in the process of adopting a new Code of Conduct and Standards framework in accordance with the Localism Act 2011.

Developing, communicating and embedding codes of conduct and defining the standards of behaviour for members and staff

24. Waverley Members will be signing the new Waverley Code of Conduct, thereby undertaking to act in accordance with the standards of behaviour that the Council has adopted. The Council also has a Code of Conduct for members of staff. Any changes to this and associated policies are discussed with the Council's Staffside committee before adoption, thus helping to ensure there is universal acceptance. An exercise was undertaken in 2011 to refresh declarations confirming that all staff have read and understood the Staff Code of Conduct.
25. It is expected that the Council's partners, such as other public authorities and contractors, ensure that they conduct their business according to the same standards with requirements specified in contracts.
26. The Council agreed a comprehensive Induction Programme for councillors under the South-East Employers Member Development Charter, and subsequently a monthly training session for members takes place, covering a wide range of topics including Standards. Training on the new Waverley Code will be provided as part of this programme.
27. The Council continues to review and develop its employment policies. In September 2010 'MyHR' was launched on Backstage (Waverley's Staff Intranet) which is a comprehensive portal for staff and managers to access all of Waverley's HR policies, procedures and templates. Waverley reviewed and improved a suite of key HR policies during the year, in part to reflect the removal of the default retirement age. These included the 'Fit for Work' (previously absence management), capacity, grievance and disciplinary policies. These were reviewed in consultation with Staffside, Corporate management team, Heads of Service and middle managers and were launched to staff following their approval by Council in February 2012.
28. The annual appraisals for staff are an important element in the process for identifying training needs. The 2011 appraisals included every member of staff being assessed against Waverley's competency framework. This framework

was devised in consultation with staff and is designed to assess staff against the competencies that the Council requires for each role. This was an important improvement and helped align training and development plans more towards corporate objectives. Training was carried out for managers before the 2011 round of appraisals to ensure a consistent and valuable approach.

29. Waverley uses a nurse-led absence management system to monitor sickness absence. Average sickness in 2011/12 was under 5 days per employee, which is very low compared to national averages. A major benefit of the system has been the information relating to sickness levels, patterns and reasons which has been invaluable to management in addressing absence issues, and supporting the introduction of the new Fit for Work policy.
30. The Standards Committee and its sub-committees investigated two formal complaints about conduct by Parish or Town Council members. It agreed other informal action in one case and one further case is pending. The Monitoring Officer was involved in initial investigation of one case of a complaint against a Waverley member that was not followed up, and three further complaints about Town Council members.

Whistleblowing and receiving and investigating complaints from the public

31. The report fraud and corruption web page was reviewed in the year when the Council migrated to the new website. This website includes appropriate links to other web pages on the Council's website. A new on-line reporting facility was also developed and a link from the web page was provided. When this was launched, a series of articles in the Council's own newsletter, Making Waves, and local newspapers was published. These articles explained how Waverley was committed to preventing and detecting fraud in its activities, and advertised reporting arrangements. This included advertising the new on-line reporting facility.
32. The Standards Committee continued to consider and resolve complaints about member conduct.
33. The revised system for dealing with and responding to complaints about service delivery was refined during the year. The results of complaints investigations are analysed and reported to the Executive on an annual basis. The Council continued its record of not having any Ombudsman findings of maladministration against it, and has significantly improved its response times to both Ombudsman and internal complaints. The Council largely continued to achieve its new response times and 84% of complaints were responded to within the target time of 10 days as against the target of 95%. In 2010-11 the response rate was 93%. Regular reports on results are taken to the overview and scrutiny committees (as part of a report on performance management) and an annual report, including the report from the Local Government Ombudsman, is taken to the Executive.
34. The Housing Benefit Investigation team continued to receive and investigate reports of suspicions of abuse of the housing-related benefits scheme. This service has its own strategy and prosecution policy against which reports are assessed and prioritised. These policies were updated by the Council in December 2011. In the financial year 2011/12 it received 184 referrals, of which 79 were assessed as requiring investigation. Of these, 25 resulted in either a

successful prosecution or imposition of a sanction. Total fraudulent overpayments of £124,868 were identified and are to be repaid and Waverley also received additional subsidy from the government of £46,984 in relation to this. In addition, the team worked on several joint operations/investigations with Surrey Police and with the Department of Work and Pensions.

35. Other investigations were referred to the Internal Audit Client Manager. The team was involved in two staff disciplinary hearings, gathering evidence.
36. A wider review of Waverley's arrangements to combat fraud and corruption was undertaken, comparing current activities and priorities with best practice. The findings were that the current key risks were being addressed, although some improvements were identified. A report was taken to the Audit Committee, an action plan agreed and implementation started in 2010/11.

Reviewing and updating standing orders, financial regulations, scheme of delegation and procedure notes/manuals that define how decisions are taken and the processes and controls required to manage risks

37. There is a periodic review (the most recent being January 2012) of the Council's Contract Procedure Rules and Financial Regulations, with interim changes also being made as and when the need arises. The next update will be in Autumn 2014. The Council's Constitution is also reviewed regularly and amended as considered necessary.
38. The Council's risk management strategy and risk registers were reviewed and revised during the year. It is important to keep these documents under review to reflect changing relative priorities, developments and changes to circumstances. Risks are mapped against the Corporate Plan, and the Heads of Service Team monitors mitigation actions on the Covalent system.
39. The Audit Committee also monitors specific risk areas that are brought to its attention, often as a result of an internal audit review. The Council appointed a new Contractor for Internal Audit through the East Surrey Consortium. The new structure of a Client Manager commissioning both IT and Audit work from one contractor has worked well.
40. There was a thorough review of the Internal Audit Strategy, which was considered by the Audit Committee this year. Corporate governance is underpinned by sound controls, which are reviewed by the Internal Audit team (the assessed risk guiding the frequency and timing of reviews). The process for monitoring the implementation of internal audit recommendations was strengthened, the requirements being set out in the revised Internal Audit Strategy. Reports are taken to each meeting of the Audit Committee and any amendments to target dates and/or actions are explained to the Committee before they are adopted. Quarterly progress reports are submitted setting out progress on implementing the Audit plan, as well as implementation of Audit recommendations. Heads of Service are called to account for any variations from the agreed programme. These are monitored on the Council's performance management system, Covalent.

Compliance with relevant laws and regulations, internal policies and procedures, and ensuring that expenditure is lawful

41. The Corporate Management Team (CMT) considers all key reports that are taken to the Council, the Executive or any other of its committees. This Team consists of the Chief Executive and the strategic directors. Its membership was revised in 2010/11 following the adoption of a streamlined management structure of Chief Executive, Deputy and one Strategic Director. Senior managers are invited to attend the meetings to discuss their reports. Authors of reports have to ensure that the necessary legal and financial expert input is obtained before a report is signed-off as ready for publication, and the appropriate officers make such guidance available to the authors of reports.
42. Where considered appropriate, specialist advice is sought from external providers, as was the decision in respect of the project to identify and evaluate the best possible sites for a new leisure centre in Godalming. Expert opinion is obtained from specialist legal or other appropriate professional advisors as and when necessary, to supplement the advice available from the Council's officers, under a Surrey-wide procurement framework for external legal advice.
43. Waverley has three statutory officers who are jointly and severally responsible for ensuring that business is transacted in accordance with the law. These are the Head of Paid Service (a responsibility for overseeing the Council's staffing structure and making recommendations for changes, which is a position filled by the Chief Executive), the S.151 Officer (the responsibility for the financial administration of the Council, which is the Deputy Chief Executive) and the Monitoring Officer (who has a duty to draw to members' attention any proposal that does not comply with the law), who is the Head of Democratic and Legal Services. Waverley's financial management arrangements conform with the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government (2010).
44. When a significant change in law, that affects the Council's statutory duties, is made then this is reported to the CMT, and will then be cascaded to all staff through the cascade briefing process if necessary. There are regular briefing sessions for members of the Executive, at which current or forthcoming issues are discussed which the relevant portfolio holders will then follow up with officers. Early guidance is sought by Heads of Service on policy direction or sensitive issues.
45. To ensure that the responsibilities for Safeguarding of children and vulnerable adults are addressed, Waverley continued to make arrangements to support staff members in identifying and reporting suspected cases of abuse of children and vulnerable adults. The 'Safeguarding Children and Vulnerable Adults Group' (which includes all service heads and other relevant officers) met during the year to receive updates in systems and requirements and they cascaded this to their staff as appropriate, taking account of the likelihood that individual staff members would encounter relevant situations.

Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources

46. The Community and Corporate Overview and Scrutiny Committees appointed specific sub-committees to regularly review performance. Central to this are the results of the performance indicators that the Council has adopted as its key indicators, and these sub-committees, together with the relevant officers, look in detail at performance information and any actions needed as a result.
47. Waverley's Foresight efficiency programme was developed further during 2011/2012. The Foresight cost savings identified – largely from the major procurement exercises which took place during the year - amounted to more than £1million and helped balance Waverley's 2012/13 budget despite a significant grant reduction in the year.
48. Another aspect of value for money is the level of spending. Budgets were again examined in detail through the "Star Chamber" process, which scrutinises every service and function in detail with officers and Members. A significant level of revenue savings was identified amounting to £1m which have been incorporated into the Council's revenue budget for 2012/13.
49. Waverley's scrutiny of its Treasury Management policy was strengthened in the year with the Corporate Overview and Scrutiny Committee reviewing its operation. The Council also appointed specialist treasury advisors to support officers in managing Waverley's new housing debt and treasury activity.

Council Committee Structure

50. The responsibilities of the updated Strong Leader of the Council's Executive and various committees are defined within their terms of reference, which form part of the Council's Constitution. Committees review their terms of reference, and make recommendations for changes to the Council for consideration and decision. The Executive is responsible for agreeing policy and for taking key operational and strategic decisions.
51. The Overview and Scrutiny Committees consider the applicability and implementation of Council policies and practices; the Audit Committee oversees the systems of internal control and governance (including the maintenance of the financial systems and the production of the Statement of Accounts), the Standards Committee is responsible for ensuring that members' conduct is in accordance with the Code of Conduct, and the Licensing and Planning Committees are responsible for taking decisions on applications received from members of the public. The new arrangements for ethical standards includes a Standards Panel with a Chairman/Lead Member.
52. Special Interest Groups are also a fundamental part of policy and decision-making at Waverley. They are small groups of councillors who look in detail at a specific subject area and advise the relevant Executive Portfolio Holder.
53. Waverley's committees are structured and populated in such a way as to ensure objectivity in scrutiny, audit and standards matters. The Overview and Scrutiny (O&S) Committees' membership is required, by statute, to exclude members of the Executive. The O&S committees have a role to challenge policy and examine/review implementation of policies and the effectiveness and

development of policies. Waverley has also excluded members of the Executive from Audit Committee membership.

54. The Standards Committee is currently responsible for setting the standards of conduct and behaviour of Council members, including an overseeing role in respect of town and parish councils. It had two representatives of town and parish councils. The new arrangements under the Localism Act established a Standards Panel from which three Member Panels will be drawn for any necessary hearings.
55. The Audit Committee acts as the body “charged with governance”. It receives and approves the annual Statement of Accounts and has opportunity to challenge the Council’s accounting policies and practices. It also receives reports from the Council’s external auditor, and is responsible for ensuring actions agreed in response to recommendations are enacted. It plays a similar role in respect of recommendations made by Internal Audit.
56. There are regulatory functions that are determined by the Licensing and Regulatory Committee and Sub-Committees. These make decisions on applications from members of the public for various licences including gaming, entertainment and sale of liquor.

Progress against improvement actions contained in the 2010/11 Annual Governance Statement

57. The actions identified in the previous AGS from 2010/11 have been progressed during the year and more detail has been included in the preceding paragraphs. In summary, positive action has been taken on all as follows:
- Foresight programme fully embedded and delivered further savings in 2011/12
 - Further review of employment policies including sickness and annual pay policy
 - Reviewed Financial Regulations and Contract Procedure Rules – Dec 2011
 - Reviewed Risk Policy and key business risks in June 2011
 - Revised and published Corporate Plan for new Council term and aligned performance management framework and Service Plans scrutinized by Joint Committee – February 2012
 - Review anti-fraud and prosecution policies – revised policies were approved by the Council which took account of new legislation and best practice.
 - Reviewed internal audit contract in partnership with other East Surrey authorities and awarded contact to new Audit firm
 - Review of support to the voluntary sector completed resulting in new Service Level Agreements for three key organizations
 - Induction and training undertaken for all new councilors and those existing Members with new responsibilities, and reviewed with input from new Councillors
 - Reviewed Members’ Allowances – Independent Panel reported to the Council in December 2011 following comprehensive review.

Future improvements

58. The actions identified in 2011/12 to implement the Council's Code of Corporate Governance, as identified in the 2010/2011 Annual Governance Statement, have largely been addressed. However, as the review of Waverley's arrangements becomes even more challenging, officers continue to identify scope for further improvement in future. The key areas identified are as follows:

Action Plan for Improvements Identified

Action	Responsible	Target date
Review key business risks in the light of the revised Corporate Plan	Heads of Finance	June 2012 Audit Committee
Initial review of the implementation of the Ethical Standards Framework	Head of Democratic and Legal Services	March 2013
Update staff interest and Code of Conduct declarations	Head of Democratic and Legal Services	Sept 2012
Monitor new Internal Audit Contract	Head of Democratic and Legal Services	March 2013
Continue to monitor audit recommendations at the Audit Committee to ensure timely and thorough implementation	Audit Manager	Ongoing
Review contract monitoring arrangements for major contracts	Heads of Service	Ongoing
Implement specific budget monitoring arrangements for the HRA Business plan capital and revenue spending	Head of Finance / Head of Housing	May 2012
Review remaining employment policies	Strategic HR Manager	December 2012

Level of assurance

59. This Annual Governance Statement demonstrates that the systems and processes that comprise Waverley's governance arrangements provide a comprehensive and consequently high level of assurance to the Council.

Certification

60. This Governance Statement has been prepared by officers with knowledge of the key governance issues. They have compiled a list of items of evidence to support an assessment against the Council's Code of Corporate Governance and to support the action plan mentioned above. That assessment has been referred to in the preparation of this Governance Statement, which also draws upon the knowledge and understanding of those officers.

61. We therefore commend the Governance Statement to the Council.

Signed

Leader of the Council

Chief Executive