

# **ANNUAL GOVERNANCE STATEMENT 2014/15**

## **1. SCOPE OF RESPONSIBILITY**

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.

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.

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.

The Annual Governance Statement describes the governance framework that has underpinned delivery of Waverley's 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.

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.

## **2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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.

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.

The purpose of the governance framework is to allow Waverley to:

- Focus on the outcomes for the area and its community
- Engage with local people and other stakeholders to ensure robust public accountability
- Foster an approach that sees Members and Officers working together to achieve a common purpose with clearly defined roles and responsibilities
- Promote values and behaviours for the Council that will demonstrate how it will uphold good governance and high standards of conduct
- Take informed and transparent decisions which manage risk and opportunity and are subject to effective scrutiny
- Develop the capacity and capability of its Members and Officers to be effective and innovative

The governance framework has been in place at Waverley for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

### **3. THE GOVERNANCE FRAMEWORK**

The key elements of the systems and processes that comprise the Council's governance framework are described below. Further details in relation to each element can be viewed through the Council's website <http://www.waverley.gov.uk>.

**a) Corporate Plan 2012 to 2015** – The Council adopted its current Corporate Plan 2012 – 2015 in February 2012. It set the direction of the Council until the Borough Elections in 2015. The plan is available on Waverley's website at [www.waverley.gov.uk/corporateplan](http://www.waverley.gov.uk/corporateplan).

Waverley's Core priorities were set out in that plan, under the overall heading of '**VALUE**':

#### **Value for money**

The Council is committed to providing customer focused services at the best value for money. The Council will ensure that sound financial management is at the core of everything it does.

#### **Affordable housing**

Waverley will work hard to provide more affordable housing in the Borough for people in housing need. The Council aims to be an excellent landlord, managing its own housing stock well and improving the fabric and condition of its properties.

#### **Leisure and lives**

The Council will continue to support opportunities for all to take part in sport, recreation and other leisure activities to promote health and well-being for all.

#### **Understanding our residents' needs**

It is important to the Council that it understands its residents and that it focuses on providing the services they want, by consulting with them and ensuring its services are designed to meet people's needs across the Borough.

The Council will be active in consulting and working with residents, service users and local businesses.

### **Environment**

Waverley will continue to do everything within its powers to protect and enhance the area's unique mix of rural and urban communities throughout its towns, villages and hamlets. It will set an example in protecting the environment through its promotion of recycling and environmental sustainability.

Each of the Corporate Plan priorities has a number of measurable outcomes and targets. Each year, every Head of Service prepares, in conjunction with their Portfolio Holders, a Service Plan to deliver the Corporate Plan objectives and other service priorities. The draft 2015/16 Service Plans were presented to a joint meeting of the Overview and Scrutiny Committees in January 2015 and comments put forward before being agreed by the Executive in February 2015.

The Council has made significant progress in delivering all five corporate objectives of its 2012-2015 plan and many actions have been delivered in their entirety. The current Corporate Plan is now nearing the end of its tenure and is being renewed ready for adoption by Council in December 2015.

**b) Council Constitution** - The Council Constitution was updated in February 2014, and is available on Waverley's website, sets out how the Council operates, how decisions are made, and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Each agenda for a Council or business meeting contains an item requiring members at the outset of the meeting to declare any relevant interests. The agendas and minutes of all the public meetings of the Council and its Committees are available on Waverley's website. Waverley webcasts the majority of public meetings live via its website and makes available archive webcast recordings following the meetings.

**c) Council Structure** - The Council operates under a 'Strong Leader' model, with members of the Executive responsible for individual Portfolios. At the full Council meeting held in May 2014 the following Executive portfolios and responsibilities were agreed for the 2014/15 year:

- Leader of the Council – Corporate Strategy including Democratic Services, Representing Waverley, Wider Issues
- Finance, Property and Capital Resources, Housing Delivery
- Environment, Car Parks and Community Safety
- Planning
- IT and Customer Services,
- Leisure and Culture, Communications and Partnerships
- Major Projects and Economic Development
- Housing – Operational

The Executive can only make decisions which are in line with the Council's overall Policy and Budget Framework. If it wishes to make a decision which is contrary to the Policy and Budget Framework, it must be referred to the full Council to decide. The Executive collectively make recommendations to the Council about the policy framework and take decisions that ensure services are provided within the framework. For most "key" decisions made by the Executive, the Council is required to publish in advance information about:

- (a) The matter to be decided;
- (b) Who will be making the decision, and
- (c) The date or timescale for the decision and the place where the decision will be made.

Most day to day service decisions are taken by Council Officers, and these powers are set out within Waverley's Scheme of Delegation which forms part of the Council's constitution. The Council appoints committees with power to carry out non-executive and other functions (e.g. planning and licensing where there is a statutory requirement for the Council to maintain committees). Non-executive functions are those which the Executive does not have the power to carry out.

**d) Policy Development & Scrutiny-** Waverley operates two Overview and Scrutiny (O&S) Committees:

- Corporate Overview & Scrutiny Committee – remit includes Finances, Corporate Services and Housing.
- Community Overview & Scrutiny Committee – remit includes Community matters, Environment, Planning and Community Safety.

These Committees, and their respective Sub-Committees, hold the Executive to account for its decisions, provide an opportunity for a methodical review of performance and the effectiveness of policies and have a key role in the policy development process.

**e) Standards Panel** - The Localism Act 2011 gave Councils an explicit duty to promote and maintain high standards of Member conduct and the statutory model Code of Conduct was abolished. In July 2012 the Council adopted a new Code of Conduct and local arrangements for dealing with complaints about councillors which were substantially simpler and clearer, and both came into effect from July 2012.

The roles and responsibilities of the Panel include:

- (a) Promoting and maintaining high standards of conduct by councillors and co-opted members;
- (b) Assisting councillors and co-opted members to observe the Members' Code of Conduct;
- (c) Monitoring the operation of the Members' Code of Conduct; and

- (d) Where the Monitoring Officer has decided a hearing is necessary, to hear complaints received concerning the conduct of Waverley Borough and Town and Parish councillors, and the determination as appropriate.

The Panel meets on an ad hoc basis and also operates more as a pool from which to draw councillors should a councillor complaint need to be progressed. It met during the year to adopt an Independent Person Protocol and received a report on investigations over the previous 18 months. The Council also appointed two Independent Persons whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, or at any other stage. The Member against which an allegation has been made can also consult them.

The Monitoring Officer has arranged briefing sessions for all councillors on the updated code and arrangements. He also arranged a series of briefings for staff on working successfully with councillors that covered the staff code of conduct and the Member-Officer protocol. These were attended by over 100 members of staff and will be repeated every year during induction.

The Council has agreed that the Code of Conduct be reviewed again after the next Borough Elections by the Standards Committee by the end of the financial year 2015/16.

**f) Audit Committee** - The Audit Committee is made up of seven Councillors. The Council has delegated to this Committee responsibilities including:

- To consider the Council's arrangements for corporate governance and recommend necessary actions to ensure compliance with best practice as set out in the current CIPFA/SOLACE Framework "Delivering Good Governance in local Government" and any revision thereof
- To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour
- To consider the Council's compliance with its own and other published regulations, standards and controls
- To monitor Council policies in "Whistleblowing" and the anti-fraud and anti-corruption, Bribery strategy and the Council's complaints-handling process
- To monitor the effective development and operation of internal control in the Council with particular reference to risk management
- To approve the Council's Annual Governance Statement
- To consider any reports published by bodies, other than the external auditor, charged with inspecting the Council's performance or arrangements for corporate governance
- To review any issue referred to it by Head of Paid Service or a director or any Council body
- To request a report from any Head of Service relating to an outstanding internal audit recommendation issue
- To consider whether appropriate accounting policies have been followed in the preparation of the annual statement of accounts

- To consider all communications from the external auditor to the Audit Committee
- To consider and, if thought fit, approve the annual statement of accounts
- To consider the Annual Review of the system of Internal Audit
- To consider the Internal Audit Client Managers Annual Report
- To approve the Annual Internal Audit Service Plan
- To consider the current Internal Audit Plan and summaries of internal audit activity by service area and consider the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To consider internal audit reports detailing recommendations not implemented within the specified timescale
- To consider proposed internal audit activity and the range of service areas to be covered and the level of assurance this can give concerning the effectiveness of the Council's corporate governance arrangements
- To commission work from the Internal Audit Service
- To consider reports dealing with the management and performance of the providers of internal audit services
- To comment on the scope and depth of internal audit work and to ensure that it gives value for money, especially with regard to reports dealing with risk management and performance matters

**g) Head of Paid Service** - The Executive Director is the designated Head of Paid Service with overall corporate management and operational responsibility (including overall management responsibility for and authority over all officers). Duties include the provision of professional advice to all parties in the decision making process and, together with the Monitoring Officer, responsibility for the system of record keeping for all Council's decisions.

On 10 December 2013, the Council agreed a new senior management structure including, *inter alia*, the deletion of the post of Chief Executive; the re-designation of the post of Deputy Chief Executive as Executive Director; and the establishment of a new post of Director of Finance and Resources. These changes became effective from 1 January 2014.

**h) Monitoring and Returning Officer** – is designated as Waverley's Monitoring Officer with the responsibility for ensuring that the Council's decision-making processes meet the requirements of the law and comply with principles of good governance and Waverley's Codes of Conduct for Officers and Members.

**i) Chief Finance Officer** - The Director of Finance and Resources replaced the Deputy Chief Executive and is designated as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

In March 2010 CIPFA issued a Statement on the role of the Chief Finance Officer in Local Government. This required the Chief Finance Officer (S 151 Officer) to:

- 1) be a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- 2) be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- 3) Lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer must:

- a) lead and direct a finance function that is resourced to be fit for purpose; and
- b) Be professionally qualified and suitably experienced.

Waverley's financial management arrangements conform to the governance requirements of the CIPFA/SOLACE Statement.

The S151 Officer has responsibility for establishing sound financial management within the Council and ensuring adherence to the Council's own financial standards and rules including the Financial Regulations (January 2012) and Contract Procedure Rules (January 2012). The Council has put in place a Medium Term Financial Strategy to support the aims of the Corporate Plan and a system of regular reporting of its financial position and performance during the year.

**j) Code of Corporate Governance** – The Council has adopted a Code of Corporate Governance which sets out Waverley's definition of corporate governance, the Values it stands for and the Key Principles of Corporate Governance that it has adopted.

**k) Anti-Fraud, Corruption and Bribery Arrangements** - The Council has an Anti-Fraud, Corruption and Bribery Policy that demonstrates its commitment to tackling fraud and corruption whether within or external to the Council. The Audit Committee champions Anti-fraud and Corruption and a yearly report on the effectiveness of the counter fraud and anti-corruption framework and activities in the period and plans for future activities is included in the Internal Audit Annual Report.

These have been informed by recommendations and advice from Fighting Fraud Locally publications, from the National Fraud Authority, the Audit Commission's Protecting the Public Purse and our External Auditors.

The National Fraud Authority was closed with effect from 31 March 2014 and its role has been distributed to various bodies, including the new National Crime Agency, City of London Police, Home Office and Cabinet Office.

It details:

- The key principles of the policy

- The roles and responsibilities of Members and Officers
- Investigation procedures to be followed in a suspected case of fraud

The Council's Whistleblowing Policy is a component of the Anti-Fraud, Anti-Corruption and Anti-Bribery Policy. Fraud policies are in place and are reviewed every two years for example, Housing Tenancy Fraud and Prosecutions. The Council uses transparent procurement processes and annual staff and member disclosures as anti bribery measures.

Waverley was provided an opportunity to accelerate the work being completed in relation to Housing Tenancy Fraud. This has been achieved through external funding from the Department of Communities and Local Government until the end of 2015/16. The funding is initially being utilised to appoint an experienced housing tenancy fraud investigator and training whilst encouraging partnership working to address any non housing benefit fraud. Waverley Borough Council has therefore joined forces with Surrey County Council and 6 other local authorities to form the Surrey Counter Fraud Partnership.

**l) Corporate Complaints System** - The Council has a Corporate Complaints Procedure which describes how complaints can be made and how the Council will deal with them. Waverley has adopted a three stage approach to ensure that if the complainant is dissatisfied with the initial response they can have the complaint investigation reviewed again:

- Stage 1 – Complaints dealt with by the contact officer
- Stage 2 – Complaints dealt with by the Head of Service
- Stage 3 – Complaints dealt with by the Executive Director

If the complainant is still dissatisfied they can request that their complaint is examined by the Local Government Ombudsman. Since April 2013 Housing complainants who have exhausted Waverley's procedure and remain dissatisfied with the response are able to raise their complaint with the Housing Ombudsman.

**m) Customer and Stakeholder Engagement** - The Council has an established strategy to engage with citizens and the Community. Examples of this include:

- **Waverley's Citizens Panel** – A representative panel of Waverley residents who have signed up to give their views and feedback on a regular basis. The Council is in the process of reviewing and refreshing the membership of the panel to ensure it is representative of Waverley's communities.
- **Forums** which ensure the on-going consultation and communication with different groups in the Community including the Waverley Disability Forum, Faith Forum, and Tenants Panel.
- **Waverley's Website and social media**, which is updated daily, and provides information about the Council & online access to services;
- **'Making Waves'**, Waverley's newsletter, is produced three times a year and sent to all households within Waverley.



- **'Waverley Homes'**, our tenants newsletter, is produced at least twice a year and sent to all Waverley Borough Council tenants residing in our properties.

The Council also undertakes additional one off consultations on specific subjects, for example on the development of Waverley's Planning Core Strategy or potential creation of a new Parish Council in Rowledge.

**n) Performance Management** - Quarterly performance results across all services 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 and on to the Executive. Individual staff performance is managed through Waverley's annual appraisal system.

**o) Risk & Opportunity Management** – Waverley's Risk Management Policy and Process Document was reviewed during the year and was approved in March 2014 with minor amendments. The Risk Management Policy will be reviewed thoroughly when the new Corporate Plan has been developed. The Heads of Service Team maintain Corporate Risk Registers which define and assess risks to the Council's objectives and they record actions to manage these risks. The risks and actions are monitored on a quarterly basis. The Directors review Service risk management processes along with a wider health and safety agenda. The Audit Committee monitors the risk management plan periodically.

**p) Internal Audit** - Internal Audit operates to the standards set out in the Chartered Institute of Public Finance Accountant's 'Public Sector Auditing Standards for Internal Audit in Local Government' adapted from the application of the Institute of Internal Auditors International Auditing Standards. The Council's appointed External Auditor will then assess Internal Audit against these standards and its most recent assessment is that Internal Audit satisfies these standards. The Internal Audit Client Manager reports annually to the Audit Committee on the performance of the Internal Audit Service in the Annual Internal Audit Report providing details of the activities completed in the financial year. The Internal Audit service audit plan is fulfilled by an external contractor, currently Baker Tilly, who was awarded the contract as part of the East Surrey Audit Consortium which Waverley joined in 2012. The contract period will run until 2017 with an option to extend.

**q) External inspectorates** - The Council maintains an objective and professional relationship with external auditors and statutory inspectors to seek assurance that the Council is providing efficient, effective and economic services and are proactive in securing continuous improvement in the way its functions are exercised.

**r) IT Security, Data Protection and systems resilience** - the Council has adopted a Data Protection guide, and IT Acceptable Use Policy and the IT network security complies with the Public Services Network security requirements and Basic Disclosure screening for staff before accessing the network.

## **4. REVIEW OF EFFECTIVENESS**

The Council has the responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control which is then summarised in the Annual Governance Statement. The review was undertaken by a group of service heads and assurance was gained as follows:

### ***Management Assurance -***

- A review of the implementation of the Risk Management Strategy and review of risk registers by Corporate Management Team
- A review of Internal Audit Report findings and recommendation and the Audit Committee's consideration of these
- A review of audits completed during the year by Internal Audit including specific reviews on the authority's corporate governance arrangements, risk management, effectiveness of the Audit Committee and the corporate counter fraud arrangements, which provided an independent review of Waverley's governance arrangements
- CMT sign-off of committee reports to Members for decision
- Monthly budget management meetings with Heads of Service
- Audit reports, performance and risk information accessible on corporate 'Covalent' system
- An annual Public Sector Network standards review and certification of compliance from the Cabinet Office is obtained.
- IT disaster recovery plans have been reviewed and updated to ensure an acceptable work around and tie into business continuity plans.

### **Statutory Officer Assurance -**

- The Head of Paid Service reviews and signs the Annual Governance Statement
- The Section 151 Officer provides assurance to external auditors
- All internal audit reports are referred to the Head of Paid Service and the S151 Officer

### **Service Assurance -**

- Heads of Service Team meetings review HR Policies and Risk Registers
- Heads of Service team review audit recommendations
- Governance covered on all induction courses which include all new staff

### **Performance Management -**

- A review of performance management reports to CMT and Members including performance sub-committees
- A review of budget management reports to CMT and Members

### **External Review Assurance -**

- An examination of external audit reports
- An annual review of complaints to the Local Government Ombudsman and reported to Corporate Overview and Scrutiny Committee

## Other Sources -

- An examination of the work of the Audit Committee in the year
- An examination of Standards Panel and Overview & Scrutiny Committee minutes
- A review of the adequacy of the complaints procedure including monitoring and reporting outcomes
- A review of Corporate Management Team meetings and Heads of Service Team reports and minutes
- An annual staff survey and investors in people benchmarking to monitor staff engagement and receive feedback on culture and corporate performance.

## 5. PRODUCTION OF THE ANNUAL GOVERNANCE STATEMENT

The publication of the Annual Governance Statement represents the end result of the review of the effectiveness of the governance framework. Corporate involvement in the production of the Statement included:

- **Corporate Management Team** – Throughout the year, Corporate Management Team have scrutinised all key governance reviews prior to being reported to Members – including HR policies, fraud strategy, risk management policy and review of risk registers, review of Standards Committee and internal audit plans.
- **Statutory Officers** -The S151 Officer and Monitoring Officer have been involved in all key governance issues during the year and the S151 officer reports on arrangements to the external auditors to meet international audit requirements. The Monitoring Officer is a key member of the corporate governance officer group that prepares the AGS.
- **Audit Committee** - The Committee has considered key aspects of the Governance Framework during the year including revised policies such as Risk Management, Whistleblowing, Corporate prosecution, Anti-fraud, Anti-corruption and Anti Bribery. Whilst supporting Waverley's participation in the National Fraud Initiative and working collaboratively with other Surrey authorities as part of the Surrey Counter Fraud Partnership co-ordinated by Surrey County Council.
- **Heads of Service** – Have been involved in considering risks, HR policies and fraud reviews.
- **Leader of the Council & Executive Director** - The Annual Governance Statement 2014/15 will be signed by the Leader of the Council and the Executive Director.

## 6. UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2014/15

Whilst no significant governance issues were identified in the previous AGS, officers continue to identify scope for further improvement in future and the following key areas were identified for review during 2014/15 including progress to date:

<b>Action</b>	<b>Responsible</b>	<b>Outcome</b>
Corporate risk register	Head of Finance	Completed: Reviewed by Audit Committee.
Performance framework	Executive Director	completed
Transparency agenda	Head of Finance	Compliant: Ongoing agenda
Review Contract Procedure Rules and Finance Regulations	Head of Finance	Completed December 2014
Review fraud resilience and financial controls	Monitoring and Returning Officer	Completed December 2014

## **7. SIGNIFICANT GOVERNANCE ISSUES APPLICABLE TO 2015/16**

Whilst no specific significant governance issues have been identified and key areas for review were completed in the previous year officers continue to identify scope for further improvement in future. The key areas under review are as follows:

<b>Action</b>	<b>Responsible</b>	<b>Review Period</b>
Corporate risk register	Head of Finance	March 2016
Performance framework	Executive Director	March 2016
Transparency agenda	Head of Finance	March 2016
Review Contract Procedure Rules and Finance Regulations	Head of Finance	December 2015
Review fraud resilience and financial controls	Monitoring and Returning Officer	December 2015
Complete a Fraud Risk Assessment	Monitoring and Returning Officer	September 2015

### **Level of assurance**

This Annual Governance Statement demonstrates that the systems and processes that comprised Waverley's governance arrangements during 2014-15, and which remain in force, provided, and continue to provide a comprehensive level of assurance to the Council.

### **Certification**

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.

We therefore commend the Governance Statement to the Audit Committee for approval.

Signed

Leader of the Council

Executive Director