

# **WARWICK DISTRICT COUNCIL**

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **1 INTRODUCTION**

- 1.1 The Accounts and Audit Regulations 2015 require the Council to prepare an annual governance statement.
- 1.2 Governance is about how an organisation is directed and controlled in order to achieve its objectives. It therefore comprises the systems, structures and values that an organisation has in place to achieve those objectives. Good governance requires that objectives be achieved not only efficiently and effectively but also ethically and in compliance with laws and recognised standards of conduct.
- 1.3 Good governance comprises robust systems and sound structures together with more esoteric characteristics such as effective leadership and high standards of behaviour.
- 1.4 In short, governance is "Doing the right things, in the right way."

### **2 THE PURPOSE OF THE ANNUAL GOVERNANCE STATEMENT**

- 2.1 This Statement provides a summarised account of how Warwick District Council's management arrangements are set up to meet the principles of good governance set out in the Council's Constitution and how assurance is obtained that these are both effective and appropriate. It is written to provide the reader with a clear and straightforward assessment of how the governance framework has operated over the past financial year (but also up to the time of approval of the financial statements) and to identify any weaknesses or gaps in our arrangements that need to be addressed.
- 2.2 The format and scope of this Statement follows that prescribed by the Chartered Institute of Public Finance and Accountancy (CIPFA).

### **3 THE COUNCIL'S GOVERNANCE FRAMEWORK**

- 3.1 Warwick District Council must operate in accordance with the law and appropriate standards and ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.
- 3.2 Warwick District 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
- 3.3 In discharging these responsibilities Warwick District Council is responsible for putting in place suitable governance arrangements, including provisions for the management of risk.
- 3.4 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled as well as its activities

through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

- 3.5 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve aims and objectives and can therefore provide only reasonable, not absolute, assurance of effectiveness.
- 3.6 Warwick District Council has approved and adopted a Local Code of Corporate Governance that is consistent with the principles of the latest CIPFA/SOLACE<sup>1</sup> Framework for Delivering Good Governance in Local Government (2016).
- 3.7 The Council's corporate strategy is set out in its Fit for the Future (FFF) programme which draws together a shared vision, setting out the Council's objectives and priorities for the District and how these are to be achieved. The FFF programme is the key planning instrument for the Council. In February 2020 the Council adopted a new Business Strategy. The Strategy is based around five themes and will be used to identify and prioritise the work programme over the next three years.
- 3.8 Delivery of the Council's change programme is through the Service Area Plans in which the corporate objectives are translated into more specific aims and objectives. These are then fed down into individual performance development reviews through the Council's performance appraisal system. These include agreed expectations and, where appropriate, service standards against which service quality and improvement can be judged. Performance is monitored by individual services and reported to the Overview & Scrutiny Committee. During the course of 2019/20, a new approach to performance management oversight was in development. Additional officer resource was recruited and it is envisaged that 2020/21 will see a full roll-out of the revised approach.
- 3.9 Warwick District Council has adopted a Constitution that establishes the roles and responsibilities for members of the Executive, Finance & Audit Scrutiny Committee, Overview & Scrutiny Committee and Standard Committees, together with officer functions. It includes details of delegation arrangements, the Councillors' Codes of Conduct and protocols for councillor/officer relations. The Constitution is kept under review to ensure that it continues to be fit for purpose. The Council has adopted a Standards regime pursuant to the Localism Act 2011 and appointed a Standards Committee. Conduct of officers is governed through the Employee Code of Conduct and through the values and behaviours which are part of the Council's individual performance appraisal system.
- 3.10 The Constitution contains procedures, rules and financial regulations that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of Paid Service, Monitoring Officer and Chief Financial Officer are described together with their contributions to provide robust assurance on governance and that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by

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<sup>1</sup> Chartered Institute of Public Finance & Accountancy / Society of Local Authority Chief Executives  
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these posts is backed by post-holders' membership (whether permanent or 'as required') of the Corporate Management Team.

- 3.11 In 2010 CIPFA published a statement on the Role of the Chief Financial Officer (CFO) in local government, setting out core principles and standards relating to the role of the CFO and how it fits into the organisation's governance arrangements.
- 3.12 A specific statement is required to be reported in the Annual Governance Statement on whether the authority's financial management arrangements conform to the governance requirements of the CIPFA Statement.
- 3.13 The governance requirements in the Statement are that the CFO should be professionally qualified, report directly to the Chief Executive and be a member of the Leadership Team, with a status at least equivalent to other members. The Statement requires that if different organisational arrangements are adopted the reasons should be explained publicly in the Council's Annual Governance Report, together with how these deliver the same impact.
- 3.14 The Head of Finance has confirmed that the Council's financial management arrangements conform to the CIPFA Statement other than in three specific aspects:
- Head of Finance reporting directly to Chief Executive.
  - Head of Finance being a member of Leadership Team.
  - Head of Finance having responsibility for Asset Management.
- 3.15 The Council's view is that the way it operates – the Head of Finance's regular attendance at Corporate Management Team/Executive meetings, budget planning meetings, and numerous ad-hoc meetings – enables the officer to have unhindered access to the most senior officer as well as senior councillors. The Head of Finance reports to the Deputy Chief Executive/Monitoring Officer. This approach has been in place for several years without any apparent problems; consequently, the Council considers that the risk of there being any detriment to the authority is low. These arrangements were confirmed within the review of the Senior Management Team during 2019.
- 3.16 For the financial year 2017/18 the Council failed to meet the statutory deadline for publication of its financial statements. A thorough examination of the reasons for this was conducted by the Chief Executive. From this, a comprehensive plan of actions and initiatives was produced and monitored during the subsequent year. This was reported to Executive and Finance and Audit Scrutiny Committee on a monthly basis. Within the actions, additional financial training has been provided for all officers across the Council who contribute to the closure of the accounts. This led to procedural improvements that resulted in the financial statement for 2018/19 being produced on time and with no notable issues. Measures continue to be in place to ensure the Accounts for 2019/20 and future years comply with all the legal requirements and deadlines.
- 3.17 With regard to asset management, responsibility for this comes under the post of Head of Assets. This newly created post was as part of the recent Senior Management Team Review. This follows the organisational requirement to

enhance the way it uses its Assets and is one of the key areas of the Council's Business Strategy.

- 3.18 The Executive provides the strategic direction for the Council, ensuring that the Council's priorities are established and that corporate objectives are set and achieved.
- 3.19 The primary counterbalances to the Executive are the Finance & Audit Scrutiny and the Overview & Scrutiny Committees. The role of these committees is to provide a robust challenge to the Executive.
- 3.20 The Finance & Audit Scrutiny Committee monitors the performance of the Council, fulfilling the core functions of a typical 'audit committee' in respect of External Audit, Internal Audit and Risk Management. The Committee seeks assurance from the relevant Executive councillor (Portfolio Holder) and/or senior manager when it has concerns or queries in respect of matters relating to particular service areas.
- 3.21 'Task and Finish' Groups, comprising solely councillors, are appointed by the Scrutiny Committees to examine various issues in detail. These Groups report back to their respective Scrutiny Committees with recommendations on improvements which are, when approved, taken forward.
- 3.22 The Council has a formal complaints procedure which allows the public or other stakeholders to make a complaint regarding the service received from the Council or the conduct of councillors. The Standards Committee has responsibility for overseeing the investigation of complaints against councillors.
- 3.23 The Council has policies to help safeguard the organisation and its staff when making decisions. An Anti-Fraud and Corruption Strategy and set of Policies and Procedures, including a Fraud Response Plan, Whistleblowing Policy and Procedure, Money Laundering Policy and Procedure and Bribery Act 2010 Policy and Procedure, have been developed and communicated to all staff via the intranet and as part of the Staff Induction process. The Anti-Fraud and Corruption Strategy and the Whistleblowing Policy are reviewed by councillors annually.
- 3.24 The Council has embedded Risk Management throughout its arrangements with the Significant Business Risk Register (in effect, the Council's corporate and strategic risk register) being reviewed and updated each quarter, firstly by the Senior Management Team and then by the Finance & Audit Scrutiny Committee before being considered by the Executive who assumes overall responsibility for it.
- 3.25 Council services are delivered by staff with the appropriate skills, training and level of experience. Job Descriptions and Person Specifications are in place for all posts and together with a rigorous recruitment and selection process this helps to ensure that the best candidates are appointed into each position. A significant commitment has also been made towards retaining good staff, by offering numerous 'work friendly' schemes and where possible encouraging succession planning and promotion from within. This ensures that valuable skills and experience are retained and passed on, rather than being lost. Training needs are identified through the performance appraisal system.

- 3.26 The individual performance appraisal system has been operated in the Council for a number of years, having been reviewed and subsequently refined on several occasions. Staff are measured against operational objectives that derive from the Business Strategy and Fit for the Future change programme. The performance appraisal system also identifies learning and developmental needs to ensure that appropriate training is made available to staff to ensure that they are able to undertake their role effectively and have the opportunity to develop.
- 3.27 In May 2019 a new Council was elected. A comprehensive training programme was delivered for all Councillors covering a range of subjects. Attendance at these was generally very good, as was feedback, and Group Leaders have been provided the attendance records to discuss within their Groups.
- 3.28 Following the Local Elections in May 2019 it was agreed by the Executive, after discussions with all Group Leaders, to review the Democratic Structure of the Council. A Governance Working Party was set up within the Council (comprising Group leaders plus an extra member from each of the Conservative, Lib Dems and Green Groups) and a series of workshops led by the Centre for Public Scrutiny (CfPS) was run. Following the third workshop, the draft notes from the meeting were passed to CfPS for them to consider. CfPS have considered these and wish to discuss the outcome with CMT before responding. After the CfPS have responded, the intention is for CMT to consider how the proposals could be supported by officers and the implications of these. This will be brought to the Working Party to take an informed view. The work on this, however, has paused at present due to responding to the Coronavirus pandemic.
- 3.29 In addition to this, the two Scrutiny Committees at their meetings in March were due to reflect on their work since May 2019 and what changes they could make or what training they needed to help them prepare for their work in the next 12 months. This would have included detailed scrutiny of both the Business Plan for the Council and the Climate Change Emergency Action Plan and how this could be incorporated alongside the planned work. The Committees were also to reflect on the value of the reports from each Service Area, being mindful that from 1 April the number of service areas was increasing from seven to ten. On that basis the scrutiny committees were to consider whether the arrangements provided value for money. An alternative approach would be for the committees to take a more Strategic approach by scrutinising the Business Plan instead.
- 3.30 The Council strives to be open and accessible to the community. All Council committee meetings are open to the public except where confidential matters are discussed. All agendas and minutes are placed on-line, along with the Council's policies and strategies. All Council meetings that are held in the Council Chamber, such as the meetings of the Council's Executive, are now recorded. When identifying the priorities and objectives for the Strategic Plan, the views of stakeholders and the wider community are sought through a number of consultation mechanisms, and are taken into account. The Strategic Plan is made available to all via the Council's website.
- 3.31 There are terms of reference and constitutions set up for key partnerships which ensure that partners act lawfully throughout the decision-making process. Key partnerships include the Coventry and Warwickshire Local

Enterprise Partnership and South Warwickshire Crime and Disorder Partnership. Warwick District Council also works closely with several other councils and operate shared services for Building Control, Business Rates, Corporate Fraud and Legal Services.

- 3.32 During the year the Council introduced the position of Performance Management Officer. Part of the role will be to monitor the information published on the website to ensure it meets the 2015 Local Government Transparency Code. The Council strives to publish information that is accessible and understandable to councillors and the public, and continues to seek to make improvements in this. An example of this is achievement of the required Website Content Accessibility Guidelines (WCAG).
- 3.33 Also, the Council's Scrutiny Committees looked at various areas of Council decision-making and service delivery, with their Annual reports submitted to the April 2019 Council meeting. This included the continued work of a Task & Finish Group to look at the Role of the Chairman of the District Council and the monitoring of the implementation of the recommendations from another Task & Finish Group regarding Houses in Multiple Occupation.
- 3.34 Internal Audit reviews were undertaken during 2019/20 on various aspects of governance, including reviews of the efficacy of the Service Assurance Statements, the fulfilment of ethical obligations in the Council's work and the effectiveness of Performance Management arrangements.

#### **4 REVIEW OF EFFECTIVENESS**

- 4.1 Warwick District Council is required legally to conduct an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's annual report, annual service assurance statements completed by heads of services and by the findings and reports issued by the external auditors and other review agencies and inspectorates.
- 4.2 More information on the arrangements that provide this assurance is set out below.
- 4.3 The Council's Monitoring Officer (one of the two Deputy Chief Executives) has responsibility for overseeing the implementation and operation of the Code of Corporate Governance, maintaining and updating the Code in the light of latest guidance on best practice, contemplating any changes that may be necessary to maintain it and ensure its effectiveness. All reports to Executive, Committees and Council are seen by the Monitoring Officer to ensure compliance with legal requirements.
- 4.4 The Council's Section 151 Officer has responsibility for the proper administration of the Council's finances. This includes responsibility for maintaining and reviewing the Code of Financial Practice and Code of Procurement Practice to ensure they remain fit for purpose, and submitting any additions or changes necessary to the full Council for approval. An updated Code of Procurement Practice was agreed by Council in December

2018. The Section 151 Officer is also responsible for reporting any significant breaches of the Codes to the Executive and/or the Council. All reports to Executive, Committees and Council are seen by appropriate staff within the Finance Department to ensure compliance with financial requirements.

- 4.6 The CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations requires the head of internal audit to give an opinion annually to the Authority on its risk management, governance and control environment and that this should be used as a primary source of evidence for the annual governance statement. In regard to this, the Audit and Risk Manager's Annual Report and Opinion for 2019/20 has concluded that, in overall terms, the areas audited were adequately managed and controlled.
- 4.7 In addition to the above, the Council has conducted a formal review of its internal control environment and collated evidence and assurance from a variety of sources. This has included assurances, set out on "service assurance statements", from heads of services on the effectiveness of the internal control environment. The Statements did not reveal any issues of significant concern.
- 4.8 The work of the Council's Internal Audit function is governed by the UK Public Sector Internal Audit Standards (PSIAS). The PSIAS are mandatory for all internal auditors working in the UK public sector. The Standards require an external and independent assessment at least every five years of the performance of public sector internal audit units and their conformance with the PSIAS. In Warwick District Council's case the review was undertaken four years ago, well within the specified period for such reviews. Some minor shortcomings were identified that were promptly addressed. The findings of this review together with the resultant actions to address the shortcomings were reported to the Finance and Audit Scrutiny Committee. An essential element of the assessment is to confirm that the annual audit opinion issued by Internal Audit may be relied upon as a key source of evidence and assurance and this was found to be the case.
- 4.9 Grant Thornton was appointed as the Council's External Auditor for 5 years from 2018/19 to 2022/23 and is responsible for reviewing the Council's Statements of Accounts. In addition to reviewing the 2018/19 Statement of Accounts, Grant Thornton issued a formal opinion on the Council's arrangements for securing Value for Money, concluding that the Council had made proper arrangements in all significant respects to secure economy, efficiency and effectiveness in its use of resources.

## 5 **THE IMPACT OF THE CORONAVIRUS PANDEMIC**

- 5.1 On 23<sup>rd</sup> March 2020 the Prime Minister made an unprecedented broadcast to the nation which in effect triggered a "lockdown" to limit the spread of coronavirus. An element of the lockdown instruction was that people would only be able to travel to work if it was necessary and the individual was unable to work from home. This had an immediate impact on the business of the Council; for both officers and Councillors.
- 5.2 In order to continue the delivery of services upon which our communities rely, a roll-out plan was developed to enable as many officers as possible to work from home and, where site visits were required, clear guidance was provided

to staff to enable them to continue to provide essential services in a safe way that complies with social distancing guidance. In tandem with this, arrangements were made to enable the Council's Executive, Group Leaders and most senior officers to meet 'virtually' each Monday afternoon to provide the strategic oversight and direction for the Council at this most challenging of times.

- 5.3 Arrangements were also quickly put in place to enable the Chief Executive, in consultation with the Group Leaders, to make decisions on matters deemed to be an emergency. Shortly after this, Parliament put into law the Coronavirus Act 2020 which provided authority for the Secretary of State to make Regulations enabling Council committees to meet virtually. At the time of writing, the mechanics of how the virtual meetings will operate are still being developed. During the Interim period a temporary scheme of delegation was quickly also put in place to enable decisions relating to key services to be made; this includes, for instance, planning decisions that would otherwise have been determined by planning committee.
- 5.4 The pandemic has revealed many issues the Council will need to reflect on once business returns to a steady state, however, it is already clear that the possibilities provided by new technology need to be fully harnessed to improve, among other things, work-life balance, environmental impact and mental well-being of both officers and members. There also needs to be reflection on the governance structures of the Council and it is therefore apposite that the Council is currently part way through such a review which can be restarted once the lockdown situation is eased.
- 5.5 An immediate consequence for the Council of the lockdown has been the reduction in income from sources such as parking charges, planning fees and rent and service charges. Whilst it is not the remit of this statement to go into the detail of the impact, there will be issues of financial governance to reflect upon which must cover management, monitoring, review and scrutiny.
- 5.6 The financial implications from the pandemic are still being assessed up to the time of writing. These fall broadly into the following areas:
- Additional costs relating to the crisis.
  - Reduced service income as service provision and demand has reduced.
  - Impact upon 2020/21 Budget and Medium Term Financial Strategy, and Housing Revenue Account Business Plan.
  - Impact on individual Council projects and the capacity of the Council to undertake those projects in the short and medium term.

These need to continue to be assessed by officers throughout 2020/21 and be reported to members to help to inform the decision making process.

## **6 SIGNIFICANT GOVERNANCE ISSUES**

- 6.1 Last year's Annual Governance Statement included just one Significant Governance Issue. This related to the Council's failure to meet the statutory deadline for publication of its financial statements for 2017/18, although the Audited Accounts for 2018/19 were agreed by the statutory deadline. The actions originating from the 2017/18 Accounts have all now been completed.



The Authority continues to ensure the preparation of the Accounts is given the priority it requires across the organisation.

- 6.2 The Coronavirus pandemic has raised issues about the Council's preparedness. Although most organisations are likely to have faced major challenges in responding to the Coronavirus pandemic that does not in any way diminish the need for the Council to learn from the experience. In addition, there are financial challenges resulting from funding pressures.
- 6.3 The Council is therefore to include within the scope of its current governance review the learning points from Council's response to the Coronavirus pandemic. Without pre-empting the learning points, it is clear that the following actions will be required: a deployment plan that enables rapid roll-out of homeworking; the testing of such a plan on a regular basis; amendments to the Council's Consultation to ensure that Committee meetings can continue should physical meetings not be possible.
- 6.4 In relation to the financial aspects, the General Fund Balance will be reviewed to determine whether it is adequate.

## **7 CERTIFICATION**

- 7.1 The governance framework has been in place at Warwick District Council for the year ended 31 March 2020 and up to the date of approval of the annual statement of accounts.

**Signed:**

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Councillor Andrew Day  
Leader of the Council

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Christopher Elliott  
Chief Executive

**Dated:**

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