

# **Three Rivers District Council**

## **Annual Governance Statement 2021/22**

### **SCOPE OF RESPONSIBILITY**

1. Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
3. Three Rivers District Council has approved and adopted a code of corporate governance which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. It is also in accordance with the requirements of the Accounts and Audit (England & Wales) Regulations 2015.
4. This Governance Statement explains how the Council has maintained sound governance during the 2021/22 financial year and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

5. The governance framework has been in place at the Council for the year ended 31 March 2022 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## **THE GOVERNANCE FRAMEWORK**

9. The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering Good Governance in Local Government: Framework – Addendum' include the following:

### **General**

10. Three Rivers District Council operates a Committee model form of governance under the Localism Act 2011 ("the Act") and has done so since June 2014, with some further changes made in 2018. This has ensured that there is a more democratic approach to decision making in the organisation with no elected members having any individual executive power to make decisions and requiring Committees to be politically proportionate.
11. The Council's written Constitution sets out how the Council operates, how decisions are made including which decisions are delegated to the various Committees or to Officers under the scheme of delegation and the terms of reference for the various Committees. The procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law as set out in the Act and regulations made thereunder, whilst others are adopted locally by the Council. The Constitution is reviewed at least annually and is available on the Council's website and intranet. Changes to the Constitution are reported to Full Council and where beyond a minor change delegated to the Chief Executive to authorise, are authorised by Council itself.
12. The Council has an approved Local Code of Governance, a copy of which is included in Part 5 of the written Constitution. This sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website.
13. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
14. The Corporate Management Team is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year. This evidences amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.
15. Elected Members as decision-makers have to declare pecuniary and non-pecuniary interests as defined under the Act as and when they occur as well as formally recording this information in the Register of Members Interests which is available online. Each Councillor is personally responsible for keeping their entry in the Register up to date and are reminded of this obligation on an annual basis. Members have access to the Committee team and the Monitoring Officer for advice on declaration of interests at meetings.

## Strategic Aims and Objectives

16. The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.
17. The Council updates and formally adopts its Strategic Plan annually each February, and this sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public. The Strategic Plan reflects the priorities and vision set out in the 2020/23 Corporate Framework.

## Vision

18. We want Three Rivers to be a place for everyone where all our communities enjoy a healthy and sustainable future with access to good quality housing and open spaces, high quality services, and a successful economy.

## Aims and Priorities

### **Housing and Thriving Communities:** We will:

- Work on a local plan to deliver sufficient housing and adopt that plan by 2023
- Through our joint ventures and partnerships take all available practicable action to increase the supply of affordable homes in the district
- Complete the delivery of the main and learner pools and refurbishment to the leisure venue at South Oxhey. This was achieved in 2020/21.
- Seek to increase the number of Green Flag accredited parks and open spaces
- Work towards reducing inequalities, prevent homelessness and encourage healthy lifestyles
- Continue to work with partners to tackle crime and anti-social behaviour and secure investment in priority interventions.

### **Sustainable Environments:** We will

- Produce and deliver a Climate Change Strategy and action plan
- Continue to improve the energy efficiency of the Council's buildings
- Deliver and implement a Cycling and Walking Strategy
- Seek to maintain our position as the highest recycling authority in Hertfordshire.

### **Successful Economy:** We will

- Undertake a review of the Council's role in relation to the economy and agree an economic strategy
- Continue to participate in the Hertfordshire Growth Board and South-West Herts Partnership and engage the Hertfordshire Local Enterprise Partnership to support the economy
- Ensure Three Rivers is recognised as a great place to do business
- Continue to improve our relationship with the local business community

- Continue to support Visit Herts and promote Three Rivers as the home of the internationally significant Warner Bros Studios.

### **High Performing Financially Independent Council: We will**

- Generate enough income to continue to provide services for the district
- Develop and deliver an improved Property Investment Strategy to maximise income from our assets and support the Commercial Strategy
- Progress our Customer Service Strategy that provides a range of contact channels for customers and sets out corporate expectations of how they should be treated
- Produce an Organisational Development Strategy to support the Council in delivering its priorities and objectives.

19. Underpinning these overarching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The Council is also the lead authority for the Local Strategic Partnership, which is made up of key stakeholders from Herts Valleys NHS Clinical Commissioning Group, Hertfordshire Police Constabulary, Police and Crime Commissioner, Hertfordshire County Council, Parish Councils, Thrive Homes, Watford Community Housing Trust, West Herts College, Department of Work and Pensions (Job Centre), Voluntary and Business Sectors.

### **Decision Making Structures**

20. At an officer level, the senior management comprises the Chief Executive, shared Director of Finance, Director of Community and Environmental Services, Executive Head of Services and other Heads of Service. Financial control is primarily the responsibility of the Shared Director of Finance with neighbouring Watford Borough Council. This combined management comprises the Corporate Management Team who meet to review and progress the key objectives of the council.

21. Overall financial control is monitored on a monthly basis by the Corporate Management Team and the Budget Panel. Budget preparation is influenced by the Council's Medium Term Financial Plan (MTFP) which forecasts budget pressures and available resources over a four year period. This MTFP is reported to members and the Budget Panel where variations to the plan are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts are subject to formal approval by the Audit Committee.

### **Constitution**

22. The Council has a written Constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the Council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens. The Council's Constitution is available on the Council's website.

23. There are regular meetings of the Full Council, Policy and Resources Committee and the other Service and Regulatory Committees. Meetings are open to the public and written reports are available to the public through the Council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions

of the Local Government Act 1972 as amended. During 2021/22 meetings were held in-person and virtually with access to the public maintained.

24. Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non-achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
25. Local Authorities operating a committee system do not have to have or appoint separate overview and scrutiny committees. The scrutiny function for health and community safety is undertaken by the Leisure Environment and Community Committee. At Three Rivers District Council the review and scrutiny of policy is co-ordinated through the Policy and Resources Committee.
26. The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
27. Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website. A new Code of Conduct for Members was approved at Annual Council on 25<sup>th</sup> May 2021 and is now in force. All Members have received training on the new Code.
28. The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
29. The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration, reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account, and giving advice to the Council on financial planning.

### **Data Quality and Risk Management**

30. The Council has a performance management framework linked to the Council's Corporate Framework. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees review the Council's achievements against targets set for service delivery.
31. The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's

key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.

32. Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

### **Shared Services with Watford Borough Council**

33. Three Rivers District Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Watford Borough Council. Both Councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

34. From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing financial services and revenues and benefits, whilst Watford Borough Council are responsible for the provision of ICT and human resources. An executive board of senior management from both councils is responsible for these services. The role of the Board covers:

- monitoring performance and dealing with complaints from either authority;
- resolving conflicts between competing interests amongst the authorities;
- reviewing the governance arrangements;
- dealing with matters referred up to it by the Operations Board;
- having overall supervision of the Shared Service;
- receiving annual reports on each service within the shared service;
- community engagement.

35. The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the Council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

### **REVIEW OF EFFECTIVENESS**

36. The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee income and the position on reserves and balances.

## **The Council**

37. All Councillors meet together as the Full Council. These meetings are chaired by the Chairman of the Council appointed in May for the municipal year. At these ordinary meetings, Councillors decide the Council's overall policies and set the budget each year. Certain decisions can only be made by the Council as a whole and these are clearly set out in the written Constitution. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.
38. The Full Council comprises all 39 Members. They met four times during 2021/22. In addition, there was a meeting of Annual Council. In cases of urgency an extraordinary meeting of the Council can be called by the Chairman and / or the Monitoring Officer under Part 4, Rule 1 of the Constitution and one such meeting was held in the year.

## **The Policy and Resources Committee**

39. The Policy and Resources Committee sets and co-ordinates all policy for itself and the service and other committees which have been delegated by Council. It reviews and scrutinises the policies made or proposed to be made by the Council and recommends appropriately to the Council:
- whether any new policies are required;
  - whether any existing policies are no longer required;
  - whether any changes are required to any existing policies;
  - whether any action is required to make the policies more effective.
40. Policy and Resources Committee met eight times during 2021/22, including one extraordinary meeting.

## **The Service Committees**

41. The Council has two decision making Service Committees which have detailed terms of reference set out in the Constitution:
- Infrastructure, Housing and Economic Development; and
  - Leisure, Environment and Community.
42. The functions of the Service Committees are to:
- make all decisions in respect of their areas of responsibility provided these are within their allocated budgets and agreed policies;
  - consider any matter referred to them by the Council or the Policy and Resources Committee and recommend or report to the Council or the Policy and Resources Committee accordingly;
  - review performance against the previous year's plans of the services within their remit;
  - determine an annual Work Plan;
  - liaise and seek views of the local community and other interested parties in relation to the above matters; and

- consider any submitted Community or Councillor Calls for Action.

## **Regulatory Committees**

43. The Council has three regulatory committees: Planning, Licensing and Regulatory Services. The terms of reference and responsibility for functions is set out in Parts 2 and 3 of the Constitution.

## **Member Allowances**

44. Members Allowances were reviewed in 2019 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel for 2020/21 was approved by the full Council in December 2019. The Panel did recommend increases in the allowances and these were implemented from 1 April 2019

45. The Independent Remuneration Panel comprised of local residents appointed for a 3 year period, meets on an annual basis. Their recommendation and the decision of the Council on the allowances are published locally.

## **Senior Management**

46. There are three Council officers who have statutory appointments - the Chief Executive's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the Solicitor to the Council as the Monitoring Officer.

## **Procurement**

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

48. The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

## **The Audit Committee**

49. Audit Committee comprised seven members and met five times during 2021/22.

50. The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance;
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- Consider the reports of external audit and inspection agencies;
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors;



- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it;
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit;
- Approve the statutory Statement of Accounts.

## **Internal Audit**

51. Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment - this comprises the systems of governance, internal control and risk management - by evaluating its effectiveness in achieving the organisation's objectives.
52. The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee.
53. In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the September 2021 meeting of the Audit Committee, which:
- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment;
  - disclosed any qualifications to that opinion, together with any reasons for the qualification;
  - drew attention to any issues which are judged particularly relevant to the preparation of the annual Governance Statement.
54. The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2021/22 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2021/22.
  - A reasonable assurance opinion is given on the adequacy and effectiveness of both financial systems and non-financial systems in the internal control environment. The internal control framework is largely working well in managing the key risks in scope, with

some audit findings related to the current arrangements. There are no qualifications to this assurance.

### **The Council's External Auditors**

55. External auditors, Ernst & Young LLP, provide an external review function through the audit of the annual accounts, assessment of value for money, and certification of grant claims. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to the Audit Committee.
56. The conclusion of the external audits for 2019/20 and 2020/21 has been delayed but a plan is in place to bring the audit back in line with the statutory timetable.
57. The Local Government contract for the Council was awarded to EY (Ernst and Young LLP) following re-tendering by the Audit Commission ahead of its abolition in March 2015. In December 2017, EY were appointed by PSAA as auditor for Three Rivers for 2021/22.

### **SIGNIFICANT GOVERNANCE ISSUES**

58. The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No significant governance issues have been identified for 2021/22 and no outstanding matters were brought forward from 2020/21.
59. Although not considered to be a significant governance issue, Cyber Security remains a threat (as it does to all organisations). The Council has a number of mitigations in place and the associated risks are managed via the ICT risk register and through reporting to the IT Steering Group forum as part of regular reporting.
60. During 2021/22 COVID-19 continued to impact on the Council's services and in addition, the Council continued to be responsible for administering grant systems and payments which have had an impact on the Council's resources.

## **Certification Statement from the Leader of the Council and the Chief Executive**

61. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.
62. It is our opinion that the Council's governance arrangements in 2021/22 were sound and provide a robust platform for achieving the Council's priorities and challenges in 2022/23. It is our opinion that this has remained the case during the COVID-19 pandemic; and that despite the challenges posed by this, the Council's governance in dealing with the pandemic and our ability to maintain sound governance during the outbreak, has been effective.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Leader of the Council – Sarah Nelmes

Signed \_\_\_\_\_

Date \_\_\_\_\_

Chief Executive – Joanne Wagstaffe

TRDC Annual Governance Statement 2021/22 Action Plan

| No. | Issue                             | Action | Resolved | Updates |
|-----|-----------------------------------|--------|----------|---------|
|     | No significant issues identified. |        |          |         |

## Financial Management Code Compliance Self-Assessment 2021/22

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

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

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

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



# **THREE RIVERS DISTRICT COUNCIL ANNUAL GOVERNANCE STATEMENT**

## **LOCAL CODE OF GOVERNANCE**

## **What do we mean by Governance?**

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

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

2. The International Framework also states that:

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

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

## **Governance Framework**

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

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

### **The Council's Commitment**

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

### **The Principles of Good Governance**

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

#### ***The Seven Core Principles***

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

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

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

The core principle is supported by three supporting principles:

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

## **B. Ensuring openness and comprehensive stakeholder engagement**

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

The core principle is supported by three supporting principles:

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

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

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

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

The core principle is supported by two supporting principles:

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

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

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

The core principle is supported by three supporting principles:

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

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

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

The core principle is supported by two supporting principles:

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

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

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

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

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

The core principle is supported by five supporting principles:

- a) Managing risk,
- b) Managing performance,
- c) Robust internal control,
- d) Managing data, and

e) Strong public financial management.

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

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

The core principle is supported by three supporting principles:

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

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



**Monitoring and Review**

20. The Council will carry out an ongoing review and monitoring of its governance arrangements (see Appendix A) and how these arrangements comply with the Framework

document and this Local Code. This review and monitoring will include references to, amongst other things:

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

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

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

- governance arrangements are adequate and operating effectively,
- where the review has revealed gaps, action is planned that will ensure effective governance in future.

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

24. Once approved, the AGS will be signed by the Leader of the Council and the Chief Executive and will be published with the Annual Statement of Accounts, prior to being reviewed by the Council's External Auditors.

**June 2022**

| Core Principles             | A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law | B - Ensuring openness and comprehensive stakeholder engagement | C - Defining outcomes in terms of sustainable economic, social, and environmental benefits   | D - Determining the interventions necessary to optimise the achievement of the intended outcomes | E - Developing the entity's capacity, including the capability of its leadership and the individuals within it | F - Managing risks and performance through robust internal control and strong public financial management | G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability           |
|-----------------------------|--|--|--|--|--|---|---|
| Evidence of Good Governance | Constitution   | Constitution   | Housing, Homelessness and Rough Sleeping Strategy  | Constitution   | Organisational Development Strategy and Delivery Plan  | Medium Term Financial Plan  | Facility for Council to receive petitions   |
|                             | Financial Procedure Rules  | Local Strategic Partnership                                    | Senior Leadership Team (Chief Executive (Head of Paid Service), Director of Community and Environmental Services, Shared Director of Finance (S151 Officer), Solicitor to the Council (Monitoring Officer) | Strategic Plan   | Performance Development Review (appraisals)  | Treasury Management Strategy  | Public participation at Council meetings  |
|                             | Contract Procedure Rules   | Three Rivers Community Strategy                                | Service Committees   | Medium Term Financial Plan   | Job / Person Specifications  | Budget Panel  | Residents / business owners submit relevant questions in writing for consideration and response at Council meetings |
|                             | Contracts Register   | Service Level and Partnership Agreements                       | Policy and Resources Committee   | Departmental Service Plans   | Financial Procedure Rules  | Audited Annual Statement of Accounts  | Freedom of Information Publication Scheme   |
|                             | Rules of Procedure (the proceedings and the business of the Council)   | Local Government Transparency Code                             | Council Contracts  | Committee Meetings, Agendas and Minutes  | Contract Procedure Rules   | Annual Revenue and Capital Budgets  | Committee Meetings, Agendas and Minutes   |
|                             | Members' Code of Conduct   | Data Protection and Freedom of Information                     | Budget Consultation  | Budget Consultation  | Employee Health and Wellbeing Strategy   | Risk Management Strategy  | Report Templates  |
|                             | Members' Allowances  | Shared Service Initiatives                                     | Customer Feedback / Complaints Process   | Local Strategic Partnership  | Health and Safety Group  | Strategic and Service Risk Registers  |   |
|                             | Officer Code of Conduct  | Council Contracts  | Whistleblowing Policy  | Communications Strategy  | Health and Wellbeing Initiatives   | Annual Management Assurance Statements  |   |
|                             | Annual Governance Statement  | Budget Consultation  |  | Policy and Resources Committee   |  |   |   |
|                             | Procurement toolkit  | Customer Feedback / Complaints Process                         |  | Full Council including Annual Council  |  |   |   |
|                             | Whistleblowing Policy  |  |  |  |  |   |   |



| Core Principles             | A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law  | B - Ensuring openness and comprehensive stakeholder engagement | C - Defining outcomes in terms of sustainable economic, social, and environmental benefits | D - Determining the interventions necessary to optimise the achievement of the intended outcomes | E - Developing the entity's capacity, including the capability of its leadership and the individuals within it    | F - Managing risks and performance through robust internal control and strong public financial management   | G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability   |
|-----------------------------|---|--|--|--|---|---|---|
| Evidence of Good Governance | <p>Bribery Policy</p> <p>RIPA Policy</p> <p>Equalities Policy</p> <p>Register of Members' Interests / Gifts and Hospitality</p> <p>Corporate Complaints Procedure</p> <p>Audit Committee</p> <p>Policy and Resources Committee</p> <p>Independent Remuneration Panel</p> <p>Mandatory Member Training</p> |  |  |  | <p>Safeguarding Policy</p> <p>Members and Staff Induction Programme</p> <p>Sickness Absence Monitoring Policy</p> | <p>Shared Internal Audit Service (SIAS)</p> <p>Annual Audit Plan Report</p> <p>SIAS Progress Reports</p> <p>Head of Assurance Opinion and SIAS Annual Report</p> <p>Annual Governance Statement</p> <p>External Audit</p> <p>External Audit Annual Audit Letter</p> | <p>Local Government Transparency Code – Transparency and Open Data</p> <p>Independent Remuneration Panel</p> <p>Shared Internal Audit Service (SIAS)</p> <p>Head of Assurance Opinion and SIAS Annual Report</p> <p>Annual Fraud Report</p> |

| Core Principles             | A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law   | B - Ensuring openness and comprehensive stakeholder engagement | C - Defining outcomes in terms of sustainable economic, social, and environmental benefits | D - Determining the interventions necessary to optimise the achievement of the intended outcomes | E - Developing the entity's capacity, including the capability of its leadership and the individuals within it | F - Managing risks and performance through robust internal control and strong public financial management   | G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability |
|-----------------------------|--|--|--|--|--|---|---|
| Evidence of Good Governance | <p>Anti-Social Behaviour Policy</p> <p>Local Code of Corporate Governance</p> <p>Senior Leadership Team (Chief Executive (Head of Paid Service), Director of Community and Environmental Services, Shared Director of Finance (S151 Officer), Solicitor to the Council (Monitoring Officer).</p> <p>Corporate Management Team (SLT and Heads of Service)</p> |  |  |  |  | <p>Committee Meetings, Agendas and Minutes</p> <p>Monthly Budget Monitoring Reports</p> <p>Audit Committee</p> <p>Financial Procedure Rules</p> <p>Contract Procedure Rules</p> |   |