

Woking Borough Council

# Annual Governance Statement

2022 - 2023

Shaping the *future* of our borough



## Introduction

This statement reflects the Council's assessment of its governance arrangements as at 31 March 2023. It must, however, be acknowledged that since this date, as the full extent of the Council's financial circumstances have become apparent, it has been the subject of intervention by Government appointed Commissioners since 25 May 2023, issued a S114 report on 7 June 2023, and asked its incoming auditors, Grant Thornton, to undertake a Value for Money Review. These matters will be properly picked up in the 2023/2024 Annual Governance Statement (AGS).

During the summer of 2022, the Council was in discussions with the Department for Levelling Up Housing and Communities (DLUHC) regarding the high level of borrowing and issues relating to the sustainability of the Council's financial position. Following these initial discussions, in January 2023 the Secretary of State commissioned a non-statutory review of the governance, financial and commercial aspects of the Council's business. The review team consisted of Jim Taylor, Carol Culley OBE and Mervyn Greer (who were subsequently appointed as Commissioners following the intervention). Fieldwork took place in January and February 2023 and the panel undertook further work in April 2023 as additional financial concerns were identified by the Council. This resulted in publication of the DLUHC External Assurance Review in May 2023. At an Extraordinary Council meeting on 23 February 2023, the then S151 Officer reported that the Council was in the territory of issuing a S114 report.

This statement identifies actions that were underway as at 31 March 2023 to address areas of weakness, but also includes references to the wide range of activity that commenced after this date following the intervention and issuance of the S114 report.

The attention that has been applied to issues of governance and financial controls in 2021/22, and more significantly in 2022/23 and into 2023/24, has highlighted areas of historic and structural governance weaknesses and areas for improvement.

The Council is on an improvement journey to address these issues – this journey both delivers improvements and also exposes further areas of weakness that need to be addressed. The attention to **Principle F** within the seven principles – **managing risks and performance through robust internal control and strong public financial management** – highlights the extent of the improvements to governance arrangements that need to be established in order to give the assurances required.

A significant amount of work has been undertaken and improvements made but this needs to be enhanced and embedded into the organisation so that it is consistently applied, understood and adopted in the way the Council undertakes its business.

Whilst the Council will rightly now focus on the future and its recovery, it also has a responsibility to ensure it learns the lessons from the past and the decisions and actions that have contributed to the challenges it is now facing. This will be in the interests of the public and communities of Woking. The Chief Executive, with the support of the S151 Officer, requested its new incoming auditor for the 2023/24 financial year, Grant Thornton LLP, to undertake a Value for Money Review of the decisions relating to the Council's Investment Strategy under their audit Code of Practice responsibilities. The report produced will be a key component of informing the improvements to governance arrangements in 2023/24 and moving forward.

When considering the 2022/23 AGS, it is relevant to refer to the Section 25 Report that was produced with the 2023/24 annual budget reported to the February 2023 meeting of Council. Whilst this report concentrated primarily on the risk, uncertainty and robustness of the budget for 2023/24, it is formed by understanding the performance of the Council in 2022/23.

1.0 The key headlines to take from the Section 25 report as relevant to this AGS are:

- The Council is in the territory of a S114 notice, but as of the date of this report a S114 Notice is not required. This report however may lead to the issuing of a S114 Notice in 2023/24 as work on the 2024/25 budget progresses.
- The Council does need to make significant improvements in its approach to resource management as a strategy and discipline.
- The Council has some risk and financial resilience exposures which are more significant than other local authorities.
- The Council does not have the financial resilience to absorb the impacts of the current economic downturn and changes in consumer behaviours in the short and medium-term and cannot solely rely on its investment approach to protect services. The Council needs to develop a more far-reaching strategy of service transformation that will enable it to manage within the predicted level of funding available whilst both ensuring it maintains the services it is statutorily required to provide and uses the strategic priorities established within the Working for All strategy to target funding.
- The Council has not undertaken a review of its compliance with the CIPFA Financial Management Code as of the date of this report. This is being addressed in 2023/2024.
- The Council does not have an audit opinion on its accounts for 2019/20 and subsequent years (2020/21 and 2021/22). This position creates a significant risk for the Council in that it cannot place any reliance on prior year accounts.
- The Council has raised its concerns with its auditors and has engaged with the Financial Reporting Council (FRC) and Public Sector Audit Appointments (PSAA). The Council recognises that the delay in audits is a national issue for the sector, however, it has been seeking what options are available to specifically respond to the situation and delays for Woking Borough Council.
- It has been identified that a far more prudent assessment of Minimum Revenue Provision (MRP) is likely to be required. An approach is currently being agreed to the treatment of the changes in MRP assessment that are likely to be required.
- A more prudent provision for impairment of capital loans should also be made. This will need to be reflected on the balance sheet and in the annual accounts and will leave a large deficit balance on the Capital Adjustment Account on the balance sheet.
- The Council's position on MRP will be subject to further independent assessment and review. An independent review has been commissioned on the Council's MRP policy, and the amount that has been accounted for in its accounts, to be completed by early April 2023. For this Medium-Term Financial Strategy (MTFS) report, the MRP policy adopted in 2022 is being rolled forward and the amendments that are likely to be required following the independent review will be brought forward in 2023/24 as part of the MTFS reporting.

## 1. Scope of responsibility

Woking Borough Council is responsible for ensuring that:

- Its business is conducted in accordance with the law and proper standards
- Public money is safeguarded and properly accounted for, and

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- Resources are used economically, efficiently and effectively.
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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.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and the system of internal control.

The Council has approved and adopted arrangements for corporate governance, which are consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*. The framework consists of seven core principles each with sub principles. These are considered in more detail in section 4.

This statement is the outcome of a review which explains how the Council addresses the requirements of Accounts and Audit (England) Regulations 2015, regulation 6(1)(a), which requires all relevant bodies to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. This Statement is prepared in accordance with proper practices in relation to accounts.

## **2. The purpose of the governance framework**

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, 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.

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The quality of governance arrangements underpins the level of trust in public services and is therefore fundamental to the Council's relationship with customers and residents. Trust in public services is also influenced by the quality of services received and by how open and honest a Council is about its activities.

A framework for the implementation of good governance allows the Council to be clear about its approach to discharging its responsibilities and to promote this internally to officers and members and externally to partners, stakeholders and residents.

The governance framework comprises the Local Code of Corporate Governance, the member decision making structure, and the company governance protocol, and has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the annual report and statement of accounts.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

## **3. Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its system of internal control.

The arrangements required for gathering assurances for the preparation of the AGS provide an opportunity for the Council to consider the robustness of the governance arrangements in place and to

consider this as a corporate issue that affects all parts of the Council. It also helps to highlight those areas where improvement is required, which are contained in the Improvement and Recovery Plan put in place following the Government intervention.

The review of effectiveness is informed by the work of the Corporate Leadership Team and Senior Managers within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's Annual Report, and by input from the external auditors, other review agencies and inspectorates. Due to the workloads associated with the intervention and S114 report this has not taken place to extent that would have been desirable for the 2022/2023 year. This will be addressed more fully next year.

The Corporate Leadership Team review the arrangements in order to seek to provide an assurance that the Council is operating within local and statutory frameworks and have approved this statement.

A key weakness in the internal control process is that the audits of the accounts for 2019/20, 2020/21 and 2021/22 are not finalised, due partly to outstanding issues relating to the Group accounts and questions over the application of accounting policy, but also partly due to the resourcing issues affecting local authority auditors more broadly. The Council sought to address this issue with auditors during 2022/23 and obtain at least the Value for Money assessment opinion that is part of the audit work, but the auditors were unable to deliver this. The completion of the outstanding audits is subject to further work in 2023 with both the new auditors Grant Thornton, who take over from the 2023/24 accounts, and the previous auditors.

#### **4. The governance framework**

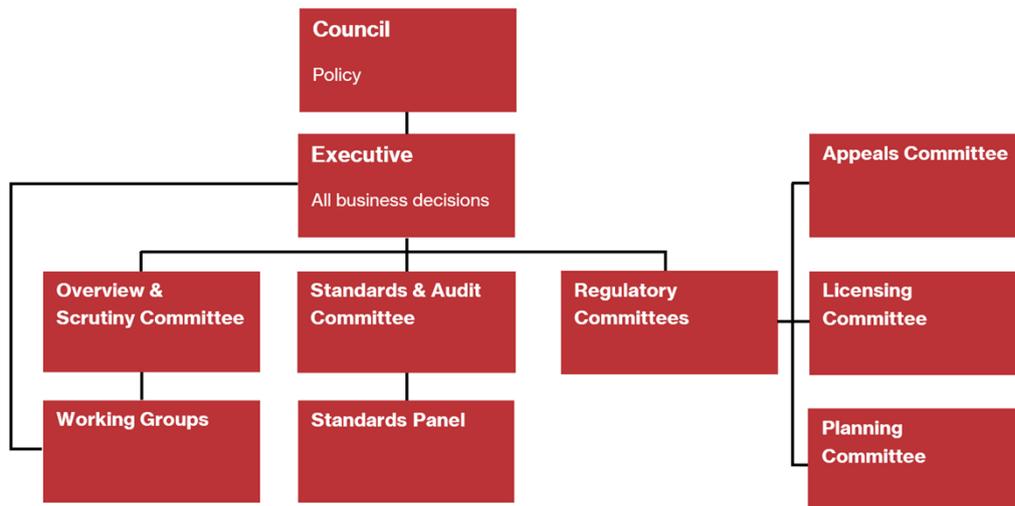
The Council operates a Leader and Executive system of governance, with an Overview and Scrutiny Committee in place to scrutinise the work of the Executive.

The May 2022 local elections resulted in a Liberal Democrat led Council, with the Council constituted of 16 Liberal Democrat, eight Conservative, three Labour, and three independent councillors.

The Council sets the Policies and Strategies for the Council and appoints the Leader of the Council, who then determines the appointment of the Deputy Leader and the members of the Executive.

The Executive acts within the approved policy framework and budget and leads preparation of new policies and budget. Each member of the Executive has a portfolio of work for which they take responsibility. The Council also has an Overview and Scrutiny Committee reviewing Executive decisions, Council services and other services in the Borough that affect the community of Woking. The other responsibilities of the Council are discharged through its non-executive committees and the Standards and Audit Committee.

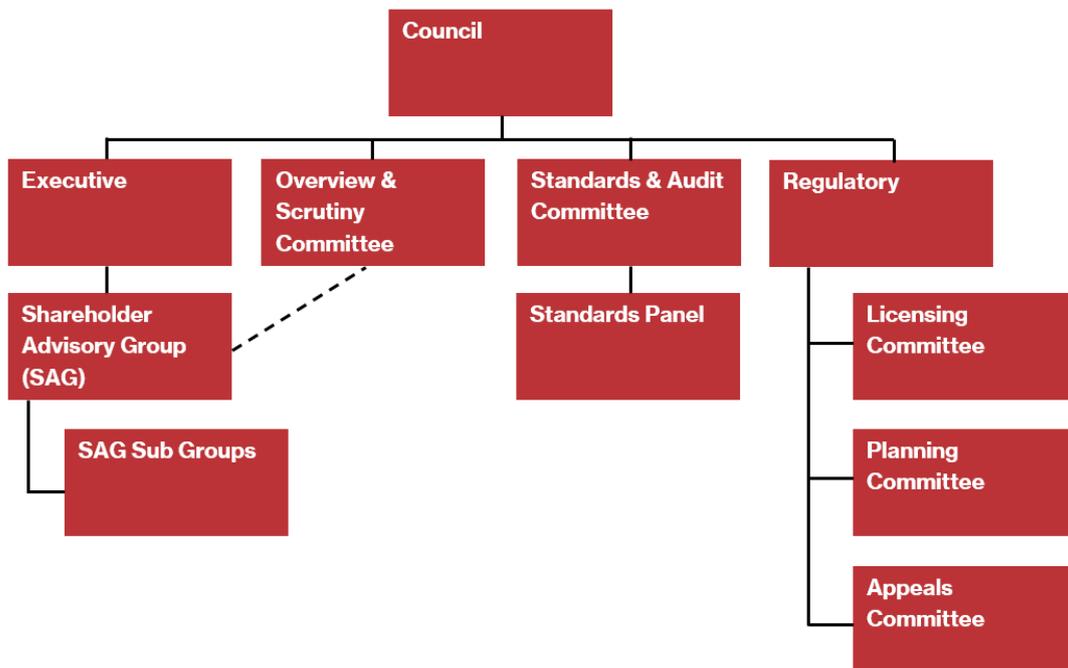
Arrangements for the Council's Member appointments to specific roles are open and set out in the Constitution. The Council elects the Leader who decides the composition and responsibilities of the Executive. The Council makes appointments to all committees. All terms of reference are published in the Constitution.



## Company governance

The Council established a company structure over a number of years with the intention of delivering Council objectives in a more efficient and effective manner. Company business plans are approved by the Council and performance is reported through the Council’s Green Book monthly performance and financial monitoring information (which is in the process of being reviewed and replaced), and to Council working groups.

During 2022/23 there were Councillor, Officer and Independent Directors of the companies in accordance with the Company protocol adopted by the Council. A revised governance system was approved by the Council in July 2022 based on best practice guidance, which removes Councillor Directors, creates a Shareholder Advisory Group to provide oversight of Company activities, and appoints the Leader of the Council as the Council’s Shareholder Representative.



The arrangements were considered in the DLUHC non statutory review undertaken in January 2023 which found that the introduction of the Shareholder Liaison Service (SLS) and Shareholder Advisory Group (SAG), coupled with changes to directorships, gives greater comfort that the high level

governance of the Thamesway Group and Victoria Square Woking Ltd. is much improved. However, further development of the reporting content from the SLS to the SAG is required, in particular commercial risk analysis to underpin and fully inform decisions is necessary.

Further work is being undertaken in 2023/24 to strengthen and improve the commercial governance arrangements which will be reflected in the 2023/24 AGS.

## Governance framework principles

There are seven principles and sub-principles of Corporate Governance contained in the CIPFA/SOLACE good governance framework and these have been adopted by the Council as set out below. Assurance for how they are met is provided in following sections.

Principle	Description of principle
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.
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.

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

The Standards and Audit Committee oversees the democratic arrangements of the Council and is responsible for promoting and maintaining high standards of conduct by Members and assisting Members to observe the Members' Code of Conduct. The Responsibility for Functions (including the Scheme of Delegation) and Standing Orders require Members and officers to ensure that all decisions are compliant with internal policies and procedures, as well as with the law. These help ensure transparent decision-making, giving authority and certainty to the allocation of responsibilities as set out in the Constitution.

Part 5 of the Constitution contains the Code of Conduct for Members. In April 2021, the Council adopted the Local Government Association's Model Code of Conduct as revised during the year. To support the adoption of the Code of Conduct an annual review of The Arrangements for Dealing with Allegations of Misconduct by Councillors under the Localism Act 2021 was undertaken.

The Code of Conduct defines the standards of behaviour for Members and, as a condition of office, they are required to sign an undertaking that they shall observe the code for the duration of their term. The Monitoring Officer provides annual training on the Member Code of Conduct, which is delivered in May as part of the member induction training, and they are available to discuss any matters arising throughout the year. Member conduct is monitored by the Standards and Audit Committee, which has a remit to deal with complaints of breaches of the Member Code of Conduct through the Standards

Panel. All Members complete the register of interests and it is a standing item on all formal meeting agendas for both officers and Members.

A parallel Code of Conduct for officers sits in the suite of employee policies. The Council's Constitution contains an Officer Conflicts of Interest Protocol which brings together controls on officers' conflicts of interest contained in the Local Government Act 1972, Officer Employment Rules and the Code of Conduct. There is a comprehensive staff handbook and Behaviour and Skills Framework setting out the Council's expectations regarding behaviour and the procedures for non-compliance. Staff are made aware, through induction and the performance management framework, of the Authority's expectations in terms of standards of behaviour and compliance with agreed policies and codes of conduct.

Both codes for Members and Officers are in compliance with 'The Seven Principles of Public Life' which are included in the Localism Act 2011. The principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The general Council complaints policy and the Members' Code of Conduct complaints policy are published on the website and are easily accessible for the public.

Decision making is supported by advice from officers, financial and legal advice, and other appropriate professional advice together with internal guidance to ensure compliance with policies.

The statutory roles of the Chief Financial Officer (S151 officer) and the Monitoring Officer are set out in the Constitution and in the scheme of delegations. They provide oversight of propriety and lawfulness. They form part of the Corporate Leadership Team and there are monthly Statutory Officer Group meetings with the Chief Executive to discuss items that have significant legal, financial and reputational implications.

The Council's Contract Standing Orders and the Financial Regulations provide rules for lawful and sound processes for contract and spending decisions. These are managed by the Monitoring Officer and Chief Financial Officer. These Standing Orders help ensure transparency and a Governance framework in relation to how decisions are made.

The Council is clear about its leadership responsibilities for services, whether provided directly or through wholly or jointly owned companies, partners or third parties. We work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do. We have a clear commitment to ensure services deliver an appropriate combination of quality, value and choice to the community.

The Scheme of Delegations within the Constitution requires Members and officers to ensure that all decisions are compliant with policies, procedures, laws and regulations. The key documents within the Governance and Policy Framework are maintained and regularly reviewed including the Constitution itself. A Governance Working Group has been set up for the 2023/2024 municipal year to discuss proposed constitutional reviews.

## **Principle B – Ensuring openness and comprehensive stakeholder engagement**

The Constitution clearly defines the purpose of community leadership, effective scrutiny, and public accountability in terms of roles and responsibilities and functions. The Council is committed to openness and acting in the public interest.

The Council is the ultimate decision-making body and the principal forum for political debate. Formal meetings of the Council, Executive, Overview and Scrutiny, Planning, Licensing, and Standards and Audit Committees are webcast and recordings are available afterwards to view through the website. Agendas and reports for Executive and committee meetings are published at least five clear working days in advance of the meetings.

The Forward Plan describes all significant decisions planned to be taken in the following four months and is published and updated at least monthly. The Forward Plan is used by the Overview and Scrutiny Committee to help plan business. This ensures early awareness of, and engagement with, key issues for all Members.

The Constitution provides for members of the public to ask questions of the Executive and Council at their respective meetings. Petitions may also be put to the Council with the Constitution setting out how these are considered depending on the number of signatures.

The Council is committed to working with residents, businesses, communities, service users, and partners to help prioritise what it does, to give them a say over the approach, and to give them the chance to get involved in delivery and change. This requires sound arrangements for engagement and consultation.

The Council uses a variety of ways to engage residents and other stakeholders. Publications (printed and digital), press releases and social media are used to keep people informed of plans or decisions. The Council carries out engagement via questionnaires, public events, workshops, focus groups, satisfaction surveys and feedback forms, and has introduced an online 'Civic' forum to more officially engage with residents. In addition, the Council has a dedicated consultation and engagement website ([Woking Community Forum](#)) which hosts all current and past consultations, a recent example being the comprehensive Masterplan consultation in 2022. Formal consultation will be undertaken where there is a statutory duty or legitimate expectation to consult and where there is a service or policy need to do so.

The Council has taken significant action to increase the effectiveness of public engagement and communication over the past year and to ensure that engagement is embedded into the Council's culture and working practices.

The Council works with a range of stakeholders. This includes a range of public bodies, local authorities, the NHS, and Surrey Police. Other tiers of local government are important partners in many areas of service delivery, strategic planning, and community development. There are both formal and informal forums in place for regular liaison with elected Members and senior officers in the neighbouring district and borough councils, including regular meetings of all the leaders of the councils to discuss issues of common interest.

The Council is a member of the North West Surrey Alliance Partnership which is focussed on improving health outcomes for residents.

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

The Council has adopted a Corporate Strategy for 2022-2027. The Woking for All strategy commits the Council to a set of strategic objectives between 2022 and 2027 that give clear direction to residents, businesses, partner organisations and council staff, based around four community-based themes.

- Healthier Communities

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- Engaged Communities

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- Greener Communities

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- Prospering Communities

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Underpinning these community-based themes is an overarching 'high performing council' theme which ensures the council delivers the best outcomes from its funds and assets.

A supplementary strategy that sets out the new administration's key priorities for the year ahead was adopted by the Executive on 16 June 2022 and by Council on 21 July 2022.

The Woking for All supplementary and amended priorities strategy sets out 23 key policy priorities for 2022 and 2023, which complement the Woking for All 2022-27 strategy, adopted earlier in 2022.

Development of the strategy followed a series of community engagement roadshows held during November and December 2021, complimented by a comprehensive online public questionnaire hosted on the Council's engagement hub, Woking Community Forum.

The key priorities identified by communities during this process helped develop the strategic objectives for the next five years, as well as the priority actions for 2022 and 2023, providing a comprehensive and integrated approach to service and financial planning.

The Woking for All strategy will be reviewed annually to ensure the strategic objectives remain relevant and annual priority actions to deliver the objectives are agreed and set. The Corporate Strategy reflects the key priorities and strategies already in place.

The Core Strategy, adopted in October 2012, sets out the vision for Woking to 2027. The strategy has been communicated widely internally to local partners and to the wider community through interest groups. It is also available on our website.

The Authority's Climate Change Strategy, Woking 2050, balances our environmental aspirations with the Borough's needs for development and economic prosperity. The aim of the strategy is to coordinate a wide range of objectives which can be used by the Council and Woking's residents, businesses, community groups and others to reduce the Borough's impact on the environment.

The Council has also prepared Natural Woking, a biodiversity and green infrastructure strategy for the area. This seeks positive outcomes for habitats and people by enhancing provision of and accessibility to green spaces, conserving appropriate existing biodiversity and habitats, and creating opportunities for species to return to the Borough.

The Economic Development Strategy was approved by Council in April 2017 and covers the period to 2022 while considering the vision to 2050. The Strategy's objectives are to encourage business development growth and inward investment in the Borough. Additionally, the Strategy supports the creation of jobs, stimulating the economy, as well as generating income for the Council (to support service provision). A Framework for Recovery in response to the pandemic was approved and implemented in 2020. The Economic Development Action Plan was approved in September 2021. It is an interim plan to take us to 2023 when a new or updated economic development strategy will be adopted. This Economic Development Action Plan complements key strategies and plans we have already published including the Core Strategy, the Economic Development Strategy for Woking 2017-2022 and the Woking for All Strategy.

Capital and Investment and Treasury Management Strategies are approved annually. These provide details on the overall approach to the capital programme including explaining the purpose of the Council investments.

The Council has been able to protect services in recent years, seeking to achieve efficiencies and increase income generation where there have been budget pressures. This situation will change significantly. During 2023/24, the Council has been subject to intervention and subsequently has an Improvement and Recovery Plan in place. The vision for Woking and the Corporate Strategy will need revising in light of the adoption of a new MTFs and the Improvement and Recovery Plan, and this will be reported in next years AGS.

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

An MTFs is prepared on at least an annual basis and updated as circumstances change. It is linked to the annual budget and service strategies.

Directorate service planning is closely aligned to the budgeting process and identifies service developments and the associated financial impacts. Key performance indicators are set and monitored during the year.

The MTFS was updated regularly during 2022/23, recognising that the Covid-19 crisis was still causing significant financial uncertainty which required a revised strategy to establish a sustainable future plan. The MTFS was updated in July 2023 and this regular reporting shall continue as part of the Council's integrated service and financial planning cycle.

Although this July 2023 report is outside the period of this AGS, the S114 notice tabled as part of that report is significant and reflects back on the controls and assurance in place in the years prior to 2022/23. The level of the estimated deficit declared in that report at £1.2 billion, arising from the debt taken out by the Council in support of its regeneration objectives (both via its companies and directly) calls into question the balanced operation and objectivity of controls in place to govern the Council.

The Council had already started to take action to reduce its spending in 2022 in the light of the emerging financial issues: it established the Fit for the Future programme which is identifying a new way of working to explore operational efficiencies, learning from others and engineering digital innovation.

Executive decision reports provide a public record of all significant decisions to implement service plans and spend. They are required to show the intended outcomes, the rationale for the proposal, implications for Council resources, other options considered, advice received, consultation undertaken and how risks are managed.

The Council is proactive in working together with partners and considering the most effective way for services to be provided within the community, whether that be by the Council direct or through third parties.

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

There is a comprehensive training programme for Members. The Council's commitment to Member development was first comprehensively assessed by South East Employers in 2008. Since then Woking has successfully maintained Charter status for Elected Member Development and was assessed for reaccreditation in 2018 and was again awarded the Charter. The Council is committed to continually improving its member development programme.

Statutory roles include the designation of the Chief Executive as Head of Paid Service, the Director of Legal and Democratic Services as the Monitoring Officer and the Finance Director as S151 officer.

Personal development priorities are agreed through a personal development review process. The Performance and Development Review process is embedded in the Council with annual assessments completed by all officers. The process incorporates the Council's Behaviour and Skills framework and helps to determine the Learning and Development programme. There is an established programme of induction training for new staff. Training is available increasingly through an online learning system. During 2022/23 the Council implemented a performance system for progressing through pay grades.

The Council was reassessed by Investors in People during 2022/23. The Council retained an accreditation but this was reduced to the Bronze level of accreditation from the previously accredited Silver level

A programme of management development was introduced following the 2015 Peer Review to support future leaders and succession planning. This programme was extended to further staff during 2020/21 and is currently subject to review.

Active monitoring of performance is undertaken through regular reviews of Directorate service plans, and with all staff through individual staff performance conversations. The Performance Framework is owned by Members and officers. The content is communicated to a wide audience in order to ensure that these key priorities are understood and translated into operational outcomes, and the framework is available via the Council's website.

### **Principle F – Managing risks and performance through robust internal control and strong public financial management**

The Constitution sets out the rules to ensure robust internal control over the Council's finances. The system and arrangements for financial performance management are the means of internal monitoring and control. However, the size and scale of the S114 deficit and the extent to which it arose from borrowing, largely through Council owned companies, points to a significant weakness in the years prior to 2022 in the performance and risk management of those companies. The Council did not have clear enough monitoring arrangements or the capability and capacity of staff to oversee the complex commercial arrangements it had put in place.

The complex company arrangements have also, as noted, contributed to three year's accounts not yet being signed off by the external auditors.

The system of internal financial control is based on a framework of financial regulations and procedures. Control is maintained through regular management information, management supervision, and a structure of delegation and accountability. However, prior to 2023, the Council did not formally assess its compliance with the CIPFA Financial Management Code. There is a fundamental review of the improvement plan needed for the finance function underway in 2023 as one of the workstreams of the overall Improvement and Recovery Plan agreed with the Commissioners.

The MTFs report published in February 2023 recognised a change in the assessment of the strength of the Council's finances and financial arrangements, paving the way for a more comprehensive statement in the S114 notice in June 2023.

The Council has a whistle blowing policy (called the Confidential Reporting Policy) which is updated and promoted internally regularly. The Council's counter-fraud strategy and fraud risk assessment has not been updated for several years.

The Council adopted an updated Risk Management policy in September 2021 to ensure that the Council's approach to risk management reflects best practice (and remains an essential component of strong governance and robust business management). The appropriate management of risk is a fundamental element of the Council's ability to provide cost effective, quality services and to deliver its corporate priority outcomes. To achieve this, sound risk management practices are firmly embedded within the culture of the Council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. The system of internal control is a part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. 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 the impact should they be realised, and to manage them efficiently, effectively and economically.

Formal Risk Management arrangements include the setting up of a project workbook with an embedded risk register for every new project to provide for risk identification, analysis, ownership and mitigating actions. An annual risk report is provided to the Executive. The Corporate Leadership Team review the Strategic Risk Register. Committee reports identify and quantify risks associated with a proposal.

A key part of the work being carried out in 2023/24 is to review the overall assurance framework and delivery. Again this will be reported in the 2023/24 AGS.

### **Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

All meetings of the Full Council and of the committees which discharge executive, non-executive or scrutiny functions take place in public and have their reports and minutes published on the Council's website. Decisions, agendas and reports are published on the website and are available to the press and public. This is driven by the publication of the Forward Plan of key decisions. A limited number of reports are considered in private session, only when the subject meets the prescribed criteria.

The Standards and Audit Committee undertakes the functions of an audit committee. This includes reviewing the findings of Internal Audit. The Committee meets regularly and in public and holds officers to account for the timely implementation of agreed audit actions.

The Council maintains an overview of the effectiveness of its governance framework including the system of internal control. The overview is informed by the managers who have responsibility for the development and maintenance of the governance processes, Internal Audit reviews, and by comments made by the external auditor and other review agencies and inspectorates. This overview would benefit from a more systematic, formal and recorded review process from 2023/24 and going forward.

These findings are brought together within this AGS and are reported annually to the Standards and Audit Committee, which undertakes the functions of an audit committee as identified in CIPFA's *Audit Committee – Practical Guidance for Local Authorities*.

Processes for information governance are in place internally and information is easily accessible on the website with regards to Freedom of Information requests and Data Protection. The Director of Legal and Democratic Services continues to have oversight and ensures compliance with GDPR.

The Council's ICT and Cyber Security Systems are in place with regular updates and reminders sent to staff. Training on cyber security for staff is in place.

The Council's Internal Audit Service (undertaken by Mazars) carries out a programme of independent reviews. Their work is based around the core risks faced by the Council and includes work on financial and non-financial systems, corporate programmes and partnerships. This includes adherence to established policies, procedures, laws and regulations. The Head of Internal Audit (HIA) role is performed by Mazars. An annual report by the HIA on the overall adequacy of the control environment is considered by the Standards and Audit committee. Internal Audit provide updates at each Standards and Audit meeting and CLT on a quarterly basis or as required. The Council's internal audit plan is a risk based plan taking into account risks identified through the risk register as well as other factors such as audit knowledge of service delivery, and areas highlighted by CLT. This enables the allocation of audit resources. An annual risk management report is provided to the Executive. The Council ensures that risk management and internal control processes are regularly considered by Internal Audit as part of the annual programme of work.

As referenced above, it remains a frustration to residents and stakeholders that there are not audited accounts available and reported concerns about the levels of transparency associated with historic decision making.

## **5. Roles and responsibilities**

The Council has approved a Constitution which defines and documents the roles and responsibilities of the Authority, the Executive, Overview and Scrutiny and officer functions, with clear delegation arrangements and protocols for decision making and communication, and codes of conduct defining the standards of behaviour for Members and staff. Delegations are recorded in accordance with the relevant regulations.

The Thamesway Group of companies was originally established by the Council to assist in the delivery of the Council's strategic objectives with a view to securing benefits for the residents of the Borough. The Council and the Boards of the Thamesway Group of companies have approved a set of protocols designed to make the activities of the companies open and transparent in the context of the commercial environment in which the companies operate. The Council has recently established the Shareholder Advisory Group to exercise its shareholder function.

The Group Business Plans are approved by the Council annually. Group Company information is included in the monthly performance and financial monitoring information (Green Book). It is accepted that the Green Book does not provide adequate monitoring information and this is being addressed in 2023/24.

The senior management of the Council is structured to provide clear responsibility and accountability at both strategic (Corporate Leadership Team, CLT) and operational (Senior Manager) levels.

The CLT comprises the Chief Executive, the Strategic Directors – of Corporate Resources, Communities, and Place – the Finance Director, and the Director of Democratic and Legal Services. Each has allocated responsibilities to ensure a clear chain for decision making and actions to implement those responsibilities. The Chief Executive is the Head of Paid Service under the terms of the Local Government & Housing Act 1989. The Director of Democratic and Legal Services is the designated Monitoring Officer and is responsible for ensuring that the Council acts in accordance with the Constitution. The Finance Director is nominated in accordance with Section 151 of the Local Government Act 1972.

The Head of Internal Audit, provided through a framework contract with Mazars, has direct access to the Finance Director, the Chief Executive, and other CLT members and reports to Members through the Standards and Audit Committee. These arrangements are in accordance with CIPFA's guidance in their publications 'Role of the Chief Financial Officer' and 'Role of the Head of Internal Audit'.

## 6. Assurance and Significant Governance Issues

No assurance can ever be absolute; however, this statement recognises that significant governance issues existed in and prior to 2022/23. These issues were being highlighted through 2022/23, and the subsequent S114 Notice and statutory intervention from the Secretary of State have identified more significant and substantive issues. A governance and assurance workstream exists within the Improvement and Recovery Programme adopted in 2023/24.

The Internal Audit Annual Report and Opinion provides an opinion on the adequacy of the Council's control environment as a contribution to the proper, economic, efficient and effective use of resources. The Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

For the year 2022/23, the internal auditors combined their own findings with the DLUHC report findings from the beginning of the year to conclude an **Unsatisfactory** opinion on the Council's risk management and control environment/framework. Taking a section from the annual report:

*"Based on the findings from the Department for Levelling Up, Housing and Communities (DLUHC) "Governance, Financial and Commercial Review of Woking Borough Council, May 2023" and the "Section 114 (3) of the Local Government Finance Act 1988, June 2023", it is evident that the Council is facing significant financial challenges.*

*The DLUHC report highlights that "despite the new leadership team's ambitions for redevelopment and innovation, the Council's financial predicament is concerning, characterised by a significant debt portfolio, decreased asset values, and a considerable financial deficit".*

*The report also identified challenges in the Council's internal control framework, governance arrangements, and risk management processes. For example, the report states that "as a result of past investment decisions, the Council has failed its best value duty leaving an unprecedented legacy for the current Leadership Team, which they have not been able to address to prevent financial failure". Similarly, "the historic governance processes may not have provided the necessary oversight for decision making related to Victoria Square and the Sheerwater Regeneration Project".*

*Risk management processes were also mentioned as "the arrangements put in place for Victoria Square and Sheerwater were taken without an adequate assessment of the risks to the Council or a full assessment of the legal considerations, including state aid/subsidy, best value consideration and the structure of the financing arrangements".*

*This report highlights that the Council needs to enhance its internal control framework, governance arrangements, and risk management processes.*

*The above, taken alongside the findings of the audit work conducted in the Plan, lead us to an*

*Unsatisfactory opinion on the framework of governance, risk management, and control is in its overall adequacy and effectiveness. There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.”*

When being subject to individual internal audit engagements, the Council would aim that many should achieve ‘substantial’ assurance – which indicates adequate and effective levels of control. However, of the 10 2022/23 internal audit engagements, only two resulted in ‘substantial’ assurance. The auditors made 61 recommendations in 2022/23, 14 of which were designated as high priority. Controls need to improve at this level as well as corporately.

The broader corporate weaknesses in governance are, as the Internal Audit review indicated, part of the DLUHC review that now has a comprehensive Improvement and Recovery Plan agreed with Commissioners, published and being implemented and monitored.

The Council will continue to regularly monitor issues that may seriously prejudice or prevent achievement of its key objectives through its strategic risk review process.

Both governance and internal control arrangements must be kept under review to ensure that they continue to operate effectively, meet changing legislative needs and reflect best practice and our intention to achieve excellence in all our activities. The Council has identified the following areas for enhancement of the Council’s governance requiring action in order to ensure arrangements are robust for the future:

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- The [Improvement and Recovery Plan](#) identifies four workstreams (Financial Recovery, Organisation and Service Redesign, Commercial, and Governance and Assurance) that the Council is advancing to provide the organisation with a clear direction for its improvement journey.
- 
- The weaknesses in corporate governance identified in this statement are part of the DLUHC review that now has a comprehensive Improvement and Recovery Plan agreed with Commissioners, published and being implemented and monitored.
- 
- The AGS assurance process itself will be reviewed and strengthened during 2023/ 2024 before next year’s reporting cycle.
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- A Further Constitutional Review, a thorough review of the Council’s Constitution, was completed in early 2023 but it is acknowledged that further improvements are required some of which are underway and which will initially be considered by the Corporate Governance Working Group.
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- Company Governance: ensure that the Company Governance Arrangements adopted in July 2022 are developed further and to conduct a full review of all Council owned companies.
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- CIPFA Financial Management Code: ensure that the Council’s governance arrangements comply with the Financial Management Code which has been published by (CIPFA).
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- Grant Thornton Best Value Review: following the intervention and issuing of the S114 report, the Council has commissioned a best value review which is currently being undertaken by Grant Thornton and will report back in public.
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- LGA assistance/Overview and Scrutiny Review/Standards and Audit review: the LGA is assisting the Council with a review of the Overview and Scrutiny function to include mentoring support for the committee chair and vice chair, a rapid review by the Centre for Governance & Scrutiny (CFGS), implementation of an improvement plan and additional training. Assistance from the LGA on reviewing and strengthening the Standards and Audit Committee to include reviewing the role of the independent member of the committee and support the committee in undertaking an assurance mapping exercise.
  - Review of Part II Documents: a thorough review of all Part II documents from January 2016 to date is underway and all material suitable for release will be uploaded onto the Council's website.
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These will be monitored via the Improvement and Recovery programme, which reports monthly into the Improvement and Recovery Board, and Commissioners will then report to the Executive and Full Council.

## 7. Conclusion

This statement reflects the position in 2022/23 prior to Government intervention and the development of an Improvement and Recovery Plan with Commissioners which was agreed by Full Council on 22 August 2023. Clearly this plan demonstrates significant weakness in the Council's governance and financial arrangements in the years prior to 2022. We are satisfied that with the Improvement and Recovery Plan the Council will have in place the necessary practices and procedures for a comprehensive governance framework. The actions above will deliver further improvements and we will continue to monitor, evaluate and report on progress as part of quarterly monitoring of the Improvement and Recovery Plan to Council and Government.

Leader of the Council  
Cllr Ann-Marie Barker  
15<sup>th</sup> November 2023

Chief Executive  
Julie Fisher  
15<sup>th</sup> November 2023