Annual Governance Statement

2010/11

May 2011

Contents

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2010 to 2011

1. Scope of Responsibility

1.1 North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. NHDC 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.

1.2 In discharging this overall responsibility, NHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.

1.3 NHDC 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. The Council reviewed its governance framework in 2010/11 and updated the Local Code of Corporate Governance.

1.4 A copy of the code is on our website at http://www.north-herts.gov.uk or can be obtained from the Customer Service Centre, NHDC, Gernon Road, Letchworth Garden City, Herts, SG6 3JF. This statement explains how NHDC has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

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

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve 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 NHDC'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.

2.3   The governance framework has been in place at NHDC for the year ended 31 March 2011 and up to the date of approval of the annual report and statement of accounts.

3.   The Key Elements of the Governance Framework

3.1   The key elements of the systems and processes that comprise the Council's governance arrangements are described in the following paragraphs:

3.2.1 Focus on the purpose of the Council and on outcomes for the community and create and implement a vision of the local area

3.2.2   The Council and its strategic partners are committed to the vision for the District, 'Making North Hertfordshire a vibrant place to live, work and prosper'. The Council recognises that achieving this vision requires a joint effort and has in place this mission statement, 'To work collaboratively with our partners and communities to deliver the vision for the district of North Hertfordshire'. The Sustainable Community Strategy was developed after extensive consultation with our partners and the public. It provides a vision for North Hertfordshire in 2021 and will be reviewed periodically to ensure that it incorporates and reflects the latest priorities towards that delivery timescale.

3.2.3   The Council's Corporate Plan focuses on what the Council will contribute to achieving its three priorities:
*   **town centres** to include delivery of actions arising from each of our four town centre strategies, sustaining our town centre businesses and their redevelopment.
*   **green issues** to include development of our climate change strategy and maximise opportunities for waste minimisation and recycling.
*   **sustainable development** to include controlling development and preserving our green belt/rural way of life wherever possible.

3.2.4   The Council ensures that its key priorities determine the allocation of resources to deliver its agreed activities. A robust Corporate Business Planning programme is used to score identified projects against criteria including the Council's agreed policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need. New funding (investment) or funding from services downsized or de-prioritised is allocated to projects based on the outcomes of this exercise. Agreed projects are then included in the relevant service plans which underpin the Corporate Plan. Achievement of the Corporate Plan has been monitored throughout 2010/11 via a quarterly monitoring process and a corporate programme governance framework that ensures the Council's capacity to deliver agreed projects within the agreed cost, time and resources.

3.2.5   To further ensure that non-core resources are directed and / or redirected towards the achievement of agreed objectives and priorities within the Corporate Plan, there is an annual critical review of existing services and budgets. This process helps ensure the economic, effective and efficient use of resources and is undertaken within the framework of the Value for Money (VfM) Strategy. The process is overseen and scrutinised by the Challenge Board (made up of the Council's most senior officers). In preparation for Government funding reductions to be implemented in 2011/12, the whole of

the Council's service provision was reviewed, identifying those which are discretionary or statutory and thus highlighting those where there was greater flexibility in regard to their future delivery . In addition, CIPFA undertook a Value for Money study in June 2010. This focussed the Challenge Board's discussions on the areas of high spend in the Council.

3.2.6   The financial elements of our Corporate Business Planning Process are set out in the Medium Term Financial Strategy which looks five years ahead to ensure the Council's commitment to the delivery of its Priorities. The Council has a good track record of robust financial management and internal control but our resources are necessarily limited and efficiencies increasingly required. There is, therefore, increasing reliance on excellent partnership working to ensure we demonstrate value for money in the delivery of our plans and actions.

3.2.7   The Council continues to ensure the accounts are compliant to the Local Authority Accounting Code of Practice for 2011/12 by consolidating on all the changes implemented for compliance with IFRS in 2010/11. Performance against its budget is monitored quarterly and through the Corporate Business Planning Process, and it ensures that the level of reserves it holds is sustainable over the medium term. The Medium Term Financial Strategy will continue to take account of the current economic climate and the forthcoming changes to Local Authority funding

3.2.7   The Council has a Treasury Management Strategy that is reviewed each year. This ensures the Council has sound processes and controls over the Treasury function that minimise risks to the Council.

3.2.8   The Council communicates the district vision and achievements against its priorities via a quarterly publication, 'Outlook' that is delivered to the homes of its residents. The Council Tax and Performance leaflet gives further information on our performance, expenditure and efficiencies. It is sent out to resident's homes with their annual Council Tax bill in addition to being posted on the Council's website. For the autumn of 2011, it is planned that Outlook will contain a Council review of the 2010/11 financial year summarising key achievements with details of expenditure.

3.2.9   The Council's Overview & Scrutiny Committee sets an agreed work programme for a number of Task and Finish Groups and reviews, which supplement scheduled meetings and ensure further Member scrutiny and analysis of how the Council deploys and utilises its resources. The Overview & Scrutiny Committee, having reviewed policy recommendations and completed task and finish reviews, can make recommendations to Cabinet which reflect their findings in order to further inform the decision making process.

3.2.10   The Audit and Risk Committee (now the Finance, Audit and Risk Committee) and the Overview & Scrutiny Committee provide on-going monitoring and scrutiny of performance, policy and action plans. Further challenge was provided by Members through the Finance & Performance and Partnership Sub Committees, meetings with portfolio holders, area committees and Member workshops.

3.2.11 Scrutiny is provided at Officer level through the work of the Council's internal audit function. The annual risk-based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. Internal Audit supports the design and effectiveness of the governance framework and sends representatives to attend the Risk Management and Corporate Governance Groups. Each internal audit is given an assurance level ranging from "Full" to "No". "Full" assurance is given when , in the auditor's opinion, there is a sound system of control designed to achieve the system objectives. "No" assurance is given when in the auditor's opinion control is generally weak leaving the system open to significant error or abuse.

3.2.12 Further challenge is provided by the Corporate Management Team, Challenge Board, the Extended Management Team and the Senior Managers Group.

3.3 **Ensure that Members and Officer work together to achieve a common purpose with clearly defined functions and roles**

3.3.1 The Constitution includes a scheme of delegation and terms of reference for each of the Council's committees. Responsibilities are recorded to make clear how the executive and non-executive functions operate within the Council. The Constitution reflects the legislative arrangements for defining executive and non-executive functions. To emphasise the separation of these functions, the terms of reference are divided into two sections: 'Council and Committees exercising Council functions' and 'Cabinets and Committees exercising executive functions'.

3.3.2 The Scheme of Delegation defines the general power to act granted to the Chief Executive and Strategic Directors within the areas of their service responsibility.

3.3.3 The Constitution is published on the Council's website.

3.3.4 Members are responsible for ensuring that effective policy making, scrutiny and monitoring of activities occur. A clear committee structure assists such responsibilities to be effectively carried out. Member expertise and involvement is further enhanced by the Portfolio roles of Cabinet Members and the on-going training and development of Members.

3.3.5 The Council has a statutory responsibility to have a Section 151 Officer, and a Monitoring Officer. The Strategic Director of Finance, Policy and Governance is the Section 151 Officer who has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed. The Monitoring Officer is the Corporate Manager of Legal Services who acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making.

3.3.6 Officer decision-making at a strategic level is led by the Corporate Management Team, which comprises the Chief Executive, the three Strategic Directors and the Head of Policy, Partnerships and Community Development. At directorate level, the senior officer Directorate Management Teams lead decision making. Our Extended Management Team, comprising the Chief Executive, Strategic Directors, Heads of Service and Corporate Managers, met monthly throughout 2010/11 to address three areas: performance review,

the content and delivery of the Corporate Plan and current/future budget positions.

3.3.7 To ensure that a constructive working relationship exists between elected Members and officers, there is an agreed protocol which governs Member and Officer working relationships.

3.4 **Promotes values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour**

3.4.1 To ensure Councillors, co-opted Members of the District Council and all Town and Parish Councillors in the District behave in a way that exemplifies high standards of conduct and effective governance, the Standards Committee promotes and maintains high standards of conduct. Council Officers are likewise expected to maintain such high standards of conduct.

3.4.2 Training was offered to all Members in July 2010 on the Member Code of Conduct and training has been arranged for Standards Committee members dealing with the assessment of complaints as required under the local referral of complaints to the Standards Committee process. The Council has a staff Code of Conduct that is on the Council's intranet in the same way as all Council policies.

3.4.3 Regular records of advice on Code issues are kept by the Monitoring Officer. Reports are taken to the Standards Committee in high level generic terms on advice that has been provided and on the number and types of complaints dealt with through the local referrals process.

3.4.4 Declaring interests under the Code of Conduct is a standing item on the agenda at every committee meeting and declarations are minuted by the clerk. A legal adviser attends all Council, Cabinet, Planning and Licensing Committee meetings to advise on Code and other issues where this is requested or otherwise considered appropriate. Advice on Code-related issues is also given in the Members Information Service (a weekly briefing also produced on the intranet that gives Members regular updates on civic engagements, press releases and other items of interest or that need to be noted by Members etc). A Planning Code of Conduct is in place and is adhered to by Members who sit on the Planning Committee.

3.4.5 Members and Officers comply with a Gifts and Hospitality policy and the Registers may be reviewed by the Strategic Directors. They can also be called in at any time by the Monitoring Officer.

3.4.6 There is an internet page explaining how complaints can be made against Councillors. This can be done by either downloading a complaint form or making a complaint on line. The web page also has links to the Code of Conduct within the Constitution. A confidential Monitoring Officer email inbox continues to be available to receive complaints.

3.4.7 A register of Council contracts is published on the Council's website. In addition details of the Council's spend above £500 (excluding VAT) is published on a monthly basis.

3.5   Take informed and transparent decisions which are subject to effective scrutiny and managing risk

3.5.1   Underpinning the Council's financial management arrangements is a regulatory framework comprising Financial Regulations, Contract Procurement Rules, annual audits of key financial systems, audits of other systems undertaken on a risk-based basis and the role of the statutory Section 151 officer.

3.5.2   A number of corporate groups collectively monitor a range of Council processes and procedures: the Corporate Governance Group monitors internal ethics and control processes including Financial Regulations; the Contracts and Procurement Group monitors the Contract Procurement Rules and the Procurement Strategy; the Information Assurance Group monitors effective use of, storage and protection of information; the Statutory Officers Group reports on internal and Member governance issues.

3.5.3   An annual review and update of Financial Regulations and Contract Procurement Rules is undertaken. These reviews are led by the Head of Finance, Performance and Asset Management and involve relevant key Officers.   Key financial systems have supporting procedure notes and manuals which are regularly reviewed to ensure they remain current.

3.5.4   The Risk and Opportunities Management Policy and Strategy was reviewed in 2010/11 and will be reviewed triennially unless there are significant changes that require the documents to be updated in the interim. The Risk Management Group oversees the delivery of the Strategy and monitoring is provided by the Audit & Risk Committee (now the Finance, Audit & Risk Committee).

3.5.5   The Monitoring Officer has processes for review of legislative changes which feed into the annual review of the Constitution. A series of consultation meetings and other appropriate forms of communication between the Monitoring Officer and senior managers ensures that managers contribute to revisions of the scheme of delegation and terms of reference. The annual review of the Council's terms of reference and scheme of delegation is carried out through the Member and Officer Constitution Review Group. The Monitoring Officer retains overall responsibility for monitoring the terms of reference and scheme of delegation.

3.5.6   The Council's policies and procedures are drawn up and regularly reviewed to ensure compliance with current legislation and regulations. Legal Services assists with updating and amending relevant policies and advises on legal implications including legislative impacts on decisions put forward in committee reports.

3.5.7   Concerns regarding non-compliance with policies, procedures, laws and regulations can be reported through the Council's Anti-Fraud and Corruption and Confidential Reporting (Whistleblowing) policies. Concerns raised are investigated and acted on following clearly defined guidelines.

3.5.8   The Whistleblowing policy is published on the Council's intranet and internet to raise awareness and outline procedures in place to staff, contractors and the public. The Anti Fraud and Corruption policy is also on the intranet and is

given to all new members of staff as part of our comprehensive staff induction process.

3.5.9   The Monitoring Officer, after consulting with the Chief Executive and Section 151 Officer, has statutory powers to report to Council or Cabinet in relation to any function, any proposal, decision or omission, that he or she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

3.5.10   The Audit and Risk Committee (now the Finance, Audit & Risk Committee) receives regular reports from the Council's External Auditor, Audit and Consultancy Services, Risk Management and the Corporate Governance Group. Where appropriate, comment is made on non-compliance with legislation that has been identified as part of a routine audit.

3.5.11   All members of the Audit & Risk Committee have received formal training in risk management so as to allow them to appreciate the nature of risk presented to the Council through its activities. Training on internal audit was also given which augmented the Committee's knowledge of this function.

3.6   **Develop the capacity and capability of members and officers to be effective:**

3.6.1   The Council's Appraisal Process not only identifies progress and performance, but also skills' gaps. Any identified gaps are then addressed through an individual's personal development plan. Personal development and delivery against agreed personal objectives are monitored through agreed six monthly appraisal reviews for managers and ongoing one to one discussions. This process ensures that the Council continually has in post individuals equipped to carry out their functions with due regard to law, policy and regulation.

3.6.2   As part of the business planning process, each service plan includes learning and development needs linked to specific actions. This ensures that the skills sets required to deliver the key priorities and actions for the Council are identified and training and development planned and provided.

3.6.3   Skills required by the Council to ensure future service delivery are additionally identified through the Organisational Development Team. Changes to and development of training programmes are then disseminated to relevant staff through the Council's training and development programme published on the intranet and more broadly using the Council's other internal communication mechanisms.

3.6.4   The Council fully supports the development of Members and the budget for member training has been delegated to each of the political groups. Members are encouraged to have personal development programmes.

3.7   **Engage with local people and other stakeholders to ensure robust public accountability**

3.7.1 The Overview & Scrutiny Committee is, as are all our committees, held in public to take into account the views and needs of local people. The Scrutiny process allows councillors from all political parties to challenge Council policy and actions democratically. The Overview & Scrutiny Committee publishes an annual report as both evidence of its activities and its contribution to the Council's policy making process. The Overview & Scrutiny Committee, having reviewed policy recommendations, can make representations to Cabinet which reflect their own findings and those of the communities the Council represents.

3.7.2 Our Corporate Business Planning process includes an annual timetable of formal consultation events, ensuring our statutory, voluntary, community parish and town council, and business partners have the opportunity to comment on budget proposals (both investments and efficiencies) under consideration.

4. Review of Effectiveness

4.1 North Hertfordshire District 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:

a) Work of managers within the authority who are responsible for the development and maintenance of the governance environment;
b) The Audit Manager's annual report;
c) The Head of Finance, Performance and Asset Management's annual review of the effectiveness of internal audit; and
d) Reports published by the external auditors and other review agencies and inspectorates.

4.2 The Corporate Governance Group, chaired by the Chief Executive, continually reviews the Council's governance framework and control environment and is responsible for the preparation of this Annual Governance Statement (AGS).

4.3 Each Head of Service and Corporate Manager is responsible for producing their own assurance statements and developing an improvement action plan to rectify any identified governance weaknesses within their service areas. The Chair of the Audit and Risk Committee (now the Finance, Audit & Risk Committee) has prepared and signed an assurance statement for the Committee as part of the overall assurance framework supporting the AGS. The Monitoring Officer reviews all of these documents prior to preparing a statement. The Audit & Risk Committee (now the Finance, Audit & Risk Committee) members have been informed of progress on producing this Annual Governance Statement and will review it and evaluate the robustness of the underlying assurance statements and evidence.

4.4 Throughout 2010/11, the Audit and Risk Committee (now the Finance, Audit & Risk Committee) has reviewed progress against the AGS 2009/10 action plan. Some of the key areas of work that were completed include:-
- A CIPFA benchmarking review on the Council's key areas of expenditure was received and appropriate action taken to ensure the Council continues to deliver value for money services.

- A future model for undertaking in depth reviews of services was incorporated in the Corporate Business Strategy, again to ensure the Council provides value for money.
- The annual review of the Constitution created two new sub-committees to scrutinise finance, performance and partnerships.
- A review of the Document Retention policy and consideration of an automatic system to delete old electronic records was conducted to ensure compliance with the Data Protection Act.
- The recommendations from our external auditors on improvements to IT Controls were implemented to ensure the Council's IT systems remain robust.
- A thorough review of the Officer's Conflicts of Interests policy was undertaken to ensure it remains current.
- The annual review of the Financial Regulations and Contract Procurement Rules was completed.
- Provision of updated guidance and training to Officers on the Council's Contract Procurement Rules made sure these were fully understood by commissioning Officers.
- A thorough review and re-launch of the Council's Business Continuity plans ensured the continuing resilience of Council services.
- Revision of the Council's Medium Term Financial Strategy enabled the Council to plan to provide sufficient financial resources to deliver the Priorities.
- Reporting the outcome of the application of the Partnership Toolkit against the Council's key partnerships demonstrated how the Council is ensuring it's partners have an acceptable level of governance arrangements in place.
- Preparation of an e-tendering solution for suitable contracts demonstrates the Council's commitment to delivering value for money services whilst reducing the risk of bribery and corruption.

4.5 In addition to the Risk Management Group, the strategic importance of robust risk management is further emphasised by the designation of a Senior Officer (Head of Finance, Performance & Asset Management) and Member (Portfolio Holder for Financial Services) as 'Risk Champions'. Both 'Champions' attend the Risk Management Group and oversee the implementation of the Risk Management Strategy.

4.6 Throughout 2010/11, the Council had an internal audit function that had no operational responsibilities. This ensured that its duties were performed independently. The audit plan is reviewed after 6 and 9 months to identify any amendments needed to reflect changing priorities, emerging risks or resourcing changes. Amendments are made in the first six months of a financial year only if significant changes occur to one of these factors. The internal audits relevant to governance arrangements in 2010/11 and their level of assurance are provided in sections 4.6.1 to 4.6.5.

4.6.1 The internal audit on Gifts and Hospitality gave a "substantial" level of assurance. Substantial Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to significant risks.

4.6.2   The internal audit on Member's expenses gave a "moderate" level of assurance. Moderate Assurance will be attributed to a system where in the auditor's judgement the recommendations relate to actions that are considered necessary to avoid exposure to more significant risks. Members expenses are verified by the Democratic Services Manager and have to be supported by valid receipts.

4.6.3   Provision of comprehensive guidance and documentation on the Council's project management framework was published on the Council's intranet shortly after the completion of the internal audit Project Management and Programme Governance. This dealt with a number of the issues raised in the audit that had a moderate level of assurance.

4.6.4   Our treasury management arrangements are subject of an annual internal audit. In 2010/11 the internal audit gave a "substantial to full" level of assurance for treasury management.

4.6.5   The internal audit on Section 106 agreements gave a moderate level of assurance. Section 106 of the Town & Country Planning Act 1990 allows a local authority to enter into a legally binding agreement or planning obligation with a land developer. The obligation either requires the developer to do something, or restricts what can be done with land following the granting of planning permission.

4.7   A review of the Conflicts of Interest policy was carried out in 2010/11 and reported to the Audit & Risk Committee in February 2011.

4.8   No cases of maladministration were found against the Council by the Local Government Ombudsman during 2010/11.

4.9   **The following paragraphs outline key improvements that will be made to the effectiveness of the governance framework following reviews completed in 2010/11**.

4.9   Following the internal audit on Section 106 agreements, the Planning Obligations Supplementary Document will be reviewed in the light of developing government policies. The Council's accountancy staff will have access to the planning software system to facilitate reconciliation with the accountancy system.

4.10   The internal audit on Members Expenses showed that the Council's Scheme needs revision in order to resolve several apparent contradictions between it and the Council's Financial Regulations and in order to comply with best practice. Since the audit was completed, more rigorous checking has been undertaken and any claims not covered by the scheme or in excess of the maximum permissible have not been paid. Members will be written to informing them of the requirement to provide VAT fuel receipts for claims submitted. The Members Expenses Scheme will be revised to include the requirement to produce receipts.

4.11   When undertaking a review of the governance framework at the Council, adherence to all of the Council's policies relating to control including health and safety and human resources are considered. A review of the Council's

Legionella policy, following a possible outbreak from a Council facility, found that the policy was not being fully implemented. It was recommended that testing for legionella at some of the Council's facilities required improvement. Outstanding recommendations following this review will be implemented by 30th June 2011.

4.12   To comply with the latest legislation, the Council will implement an Anti Bribery & Corruption policy and the Gifts and Hospitality policy will be reviewed.

4.13   We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit and Risk Committee (now the Finance, Audit and Risk Committee) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5.   Significant Governance Issues

5.1   There are no significant governance issues to be reported in this Statement. However, an action plan to ensure continuous improvement following the review of effectiveness described in section 4 (above) will be implemented.

5.2   We propose over the coming year to take steps to address the above matters (identified in section 4.9 to 4.12) to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

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Leader of the Council on
behalf of North Hertfordshire District Council

Signed:

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Chief Executive on
behalf of North Hertfordshire District Council