



Annual Governance Statement

2011/12

June 2012

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Annual Governance Statement 2011 to 2012

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 2011/12 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 2012 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 has recently been reviewed to ensure that it incorporates and reflects the latest priorities towards that delivery timescale.

- 3.2.3 The Council's "Priorities for the District" Document 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 which was renamed the Priorities for the District in 2011/12. Achievement of the Priorities for the District has been monitored throughout 2011/12 via the Council's Senior Management Team and a mid-year update report to Cabinet. This has ensured 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 Priorities for the District, 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).

- 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. 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.
- 3.2.8 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.
- 3.2.9 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 Information' leaflet gives further information on our performance, expenditure and efficiencies. It is sent out to residents' homes with their annual Council Tax bill in addition to being posted on the Council's website. For the autumn of 2012, it is planned that 'Outlook' will contain a Council review of the 2011/12 financial year summarising key achievements with details of expenditure.
- 3.2.10 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.
- 3.2.11 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 is provided by Members through meetings with portfolio holders, area committees and Member workshops.
- 3.2.12 Scrutiny is provided at Officer level through the work of the Council's internal audit function which since June 2011 has been delivered by a Shared Internal Audit Service (SIAS). 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. SIAS supports the design and effectiveness of the governance framework. 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 and manage the risks in achieving those objectives. No weaknesses have been identified. "No" assurance is

given when in the auditor's opinion control is weak leaving the system open to material error or abuse.

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

3.3 **Ensure that Members and Officers 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 Training was given to the Councils Officer Senior Management Group (SMG) in December 2011 regarding the Council's Constitution.

3.3.5 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.

3.3.6 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.

3.3.7 Officer decision-making at a strategic level is led by the Senior Management Team, comprising the Chief Executive, Strategic Directors, Heads of Service and Corporate Managers. This met throughout 2011/12 and addressed at each meeting: finance, policy, governance, human resource issues and performance including the delivery of the Priorities for the District.

3.3.8 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 The Localism Act has introduced changes to the Standards Regime, that are expected to become effective from July 2012. Council will be considering the issues in May 2012.
- 3.4.2 Training was offered to all Members in August 2011 on the Member Code of Conduct. 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. The Standards Committee oversees 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 when necessary (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 are reviewed by the Strategic Directors. They can also be called in at any time by the Monitoring Officer. An Internal Audit was carried out in 2010/11 and finalised in June 2011. A revised Gifts and Hospitality policy taking into account the high level recommendations from this audit was then endorsed by the Finance Audit and Risk Committee and Cabinet in 2011/12.
- 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

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systems undertaken on a risk-based basis and the role of the statutory Section 151 officer.

- 3.5.2 There are some corporate groups that collectively monitor a range of Council processes and procedures. The Contracts and Procurement Group monitors the Contract Procurement Rules and the Procurement Strategy. The Statutory Officers Group reviews internal and Member governance issues. The Risk Management Group monitors the Council's risk register entries and the Risk and Opportunities Strategy.
- 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 2011/12 and will be reviewed triennially unless there are significant changes that require the documents to be updated in the interim. In addition to the Risk Management Group, monitoring is provided by the Finance, Audit & Risk Committee. An annual report is presented to Full Council.
- 3.5.5 The Monitoring Officer has processes for review of legislative changes which feed into the annual review of the Constitution. Consultation meetings and other forms of communication between the Monitoring Officer and senior managers as appropriate ensures that managers can contribute to revisions of the scheme of delegation and terms of reference. The annual review of the Council's Constitution which includes all terms of reference and scheme of delegation is discussed with the Leader of the Council and opposition group leaders. The Monitoring Officer retains overall responsibility for monitoring the Constitution.
- 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. Equalities implications are also considered as part of the 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. An Anti-bribery and Corruption Policy was introduced in 2011.
- 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 Finance, Audit & Risk Committee receives regular reports from the Council's External Auditor, the Shared Internal Audit Service, Risk Management Group and the Accountancy Manager. 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 Finance, 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 has been given to augment 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 Changes to and development of training programmes are 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 and additionally considers the performance of statutory partners dealing with Crime and Disorder matters. 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 Head of Assurance for SIAS annual report;
- c) The Head of Finance, Performance and Asset Management's review of the effectiveness of the Finance, Audit and Risk Committee; and
- d) Reports published by the external auditors and other review agencies and inspectorates.

4.2 The Senior Management Team, chaired by the Chief Executive, 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 Chairman of 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 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 The Finance, Audit & Risk Committee has reviewed progress against the AGS 2010/11 action plan that was implemented in 2011/12. Some of the key areas of work that were completed include:

- A review of the recommendations arising from the 2010/11 audit on Section 106 agreements that 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. Financial monitoring has been improved through regular meetings with the service accountant and Development Control Manager to ensure an adequate reconciliation process is in place. The Planning Obligations Supplementary Document has still to be reviewed to take into account developing government policies.
- Revision of the Council's Members Expenses Scheme in order to resolve several apparent contradictions between it and the Council's Financial Regulations and to comply with best practice. Members were informed of the requirement to provide VAT fuel receipts for claims submitted. In

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addition, the Members Expenses Scheme was revised to include the requirement to produce receipts.

- Improvements were made to the Council's control processes for legionella.
- The introduction of an anti-bribery and corruption policy and refresh of the Officer Gifts and Hospitality policy. This ensured the Council's commitment to complying with best practice in governance matters.

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 From 1 June 2011, the Council's internal audit function was carried out by a Shared Internal Audit Service (SIAS). This ensured that internal audit duties are performed independently. Quarterly monitoring meetings are held with the Head of Assurance from SIAS, the Council's Section 151 Officer and Head of Finance, Performance & Asset Management to ensure a high standard of internal audit support is maintained. In addition there are monthly meetings with the Audit Manager and Head of Finance, Performance & Asset Manager. The audit plan was reviewed after six and nine 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 2011/12 and their level of assurance are provided in sections 4.6.1 to 4.6.3.

4.6.1 The internal audit on Members Interests gave a "substantial" level of assurance. Substantial Assurance will be attributed to a system where in the auditor's judgement whilst there is largely a sound system of control, there are some minor weaknesses which may put a limited number of the system objectives at risk.

4.6.2 The internal audits on Equalities and Diversity, Risk Management and Corporate Business Planning all had a substantial level of assurance.

4.6.3 Significant areas for improvement were identified in the internal audit on Information Sharing. This had a limited level of assurance as there were significant weaknesses identified in key control areas which put the system objectives at risk. The four high risk areas had improvement actions to be completed by the end of April 2012. This included:

- Development of an information sharing protocol.
- Completion of an assessment of the sharing of information internally and with external partners and contractors.
- The creation of a Central Register for new and existing Information Sharing Protocols to enable these to be monitored.
- A process has been implemented to monitor information sharing activities for compliance with the Data Protection Act and to record whether a decision to proceed or not is maintained.

Although the information sharing protocol was prepared in draft it was not finalised by the end of April.

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- 4.7 Following the recommendation made in the external auditors report “To those charged with Governance” considered by the September 2011 meeting of the Finance, Audit and Risk Committee, there has been an extensive programme completed in the year to re measure floor spaces of the Council’s property assets to ensure asset valuations are correct.
- 4.8 No cases of maladministration were found against the Council by the Local Government Ombudsman during 2011/12.
- 4.9 **The following paragraphs outline improvements that will be made to the effectiveness of the governance framework following reviews completed in 2011/12.**
- 4.10 The Information Sharing Protocol will be finalised to complete all the actions from the internal audit on Information Sharing. This will reduce the risk of any non-compliance with the Data Protection Act.
- 4.11 To improve the Council’s compliance with the Data Protection Act and to rationalise storage thereby reducing costs, confidential disposal of a number of documents held in the Secondary Centre and Letchworth Town Hall will be undertaken through the spring 2012.
- 4.12 To ensure that the current high standards of conduct and behaviour of Councillors is maintained, changes will be implemented to the standards framework flowing from the Localism Act 2011.
- 4.13 To uphold the common purpose and roles and responsibilities of Officers and Members, and as a result of the changes to the Standards framework flowing from the Localism Act, the Officer/Member protocol will be revised.
- 4.14 To ensure the best outcomes are obtained for the local community, Officers will be provided with support and advice to ensure successful procurements of goods and services through the development of the roles of the Contracts Solicitor and Procurement Officer. The appropriate level of resources and procedures will be agreed for each procurement depending on the relative risk of the procurement to the Council.
- 4.15 Should the Council proceed with the development of a Shared Service for some of its back office functions, appropriate governance and performance standards will be developed. This will ensure the same level of support continues to be provided to front lines services and hence no deterioration in the level of service to customers, whilst ensuring the Council obtains value for money.
- 4.16 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Finance Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The findings have not been considered serious but in order to ensure the improvements are delivered in 2011/12 they will be monitored via the Council’s Performance & Risk management software (Covalent) and progress reports will be provided to the Committee through the year.

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 sections 4.10 to 4.14) 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:

.....
Chief Executive on
behalf of North Hertfordshire District Council