

EAST HERTS COUNCIL ANNUAL GOVERNANCE STATEMENT 2015/2016 AND ACTION PLAN 2016/2017

Scope of responsibility

East Hertfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. 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, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (CIPFA 2007).

This statement explains how the Council has complied with the code and also how it meets the requirements of regulation 6 of the Accounts and Audit (England) Regulations 2015 that requires authorities to carry out an annual review of the effectiveness of its

controlled and by 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 system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. Controls 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 risks to the achievement of the council's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised, and it prioritises and manages them efficiently, effectively and economically.

The Governance Framework

The Council's governance framework derives from the six core principles identified by the Independent Commission on Good Governance in Public Services – a commission set up by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Office for Public Management. The Commission used work done by, amongst others, Cadbury (1992), Nolan (1995) and CIPFA/SOLACE (2001). These principles were adapted for application to local authorities and published by CIPFA in 2007.

The six core principles are:

- a. focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- b. Members and officers working together to achieve a common purpose with clearly defined functions and roles;

- c. promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- d. taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- e. developing the capacity and capability of Members and officers to be effective; and
- f. engaging with local people and other stakeholders to ensure robust public accountability.

The key elements of East Herts Council's application of each of these core principles are as follows:

a) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

The Sustainable Community Strategy outlines the vision, aims and priority themes for the district. It was produced in conjunction with the East Herts Strategic Partnership, which brings together all relevant stakeholders, including those that deliver services in the area.

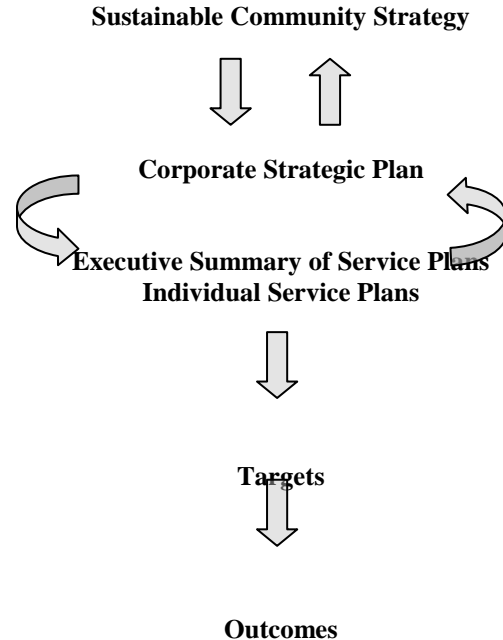
The Customer Services Strategy requires all services to individually consider insight about their customers, local need and how their service is accessed and set out actions, within the Council's medium term financial planning process, to maximise the appropriate digital operation and delivery of services. This will include the requirement to understand the reasons for customer contact and the methods currently used.

The Council's priorities and outcomes are set out in the Corporate Strategic Plan, which is reviewed annually. This sets out what the Council expects to deliver over the next four years and, in many cases, beyond this timeframe. The details of how the Council will deliver these outcomes are incorporated into the executive summary of service plans. Individual service plans set out all strategic and operational activity. The Plan will be reviewed each year to include new service developments and to remove

outcomes once achieved. The Plan sets the direction for the financial planning of the Council based on the Council's priorities.

The Executive receives the Medium Term Financial Strategy covering a four-year period, which is used to set initial parameters for the coming budget process to ensure that spending proposals are affordable and sustainable over the medium term. The Corporate Business Scrutiny committee monitor the delivery of the MTFP.

The diagram below sets out the various links in the process of establishing and subsequently monitoring the achievement of the Council's ambitions. It shows the links between the Sustainable Community Strategy and Corporate Strategic Plan which then feed into, and are informed by, service plans, service targets and individual employees via specific areas of responsibility allocated to them.



The Council has an effective performance management framework using a dedicated IT system to record and report performance. The system is driven by the Corporate Strategic Plan which focuses on activities that will deliver the Council's outcomes. This is cascaded through individual employee appraisals.

This process monitors how the Council is meeting its performance targets and triggers corrective actions where targets are proving challenging, through the Quarterly Performance report and the Mid-Year and Annual Report in regard to the Corporate Strategic Plan.

The Council's Executive and Corporate Business Scrutiny Committee monitor and scrutinise progress against targets and performance in priority areas, and consider and approve corrective action where necessary. For ease of interpretation performance graphs are reported. There are reports which include the results of quarterly budget monitoring reports covering the revenue expenditure, capital projects, key performance indicators and absence monitoring.

The monitoring process has enabled the Council to concentrate on areas which require particular attention.

The Council is therefore able to monitor all key measures on a quarterly basis and respond quickly and effectively to changes at an early stage.

The Council maintains an objective and professional relationship with external auditors and statutory inspectors. The Annual Audit Letter documents this relationship with external auditors and is submitted with the Statement of Accounts to the Audit Committee.

Through reviews by external auditors, external agencies, the Shared Internal Audit Service (SIAS) and internal review teams, the Council constantly seeks ways of securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness in the use of resources. The Council has regularly reviewed Financial Regulations and Procurement Regulations to ensure proper arrangements are in place for procurement of goods and services.

All budget cost centres are allocated to a named post holder, who is responsible for controlling spend against those budgets, and who is also responsible for maximising the benefits from assets used in the provision of their service.

b) Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council has adopted a constitution which sets out how the Council operates, how decisions are made and the procedures which are followed. This ensures that decisions are transparent and that Members are accountable to local people.

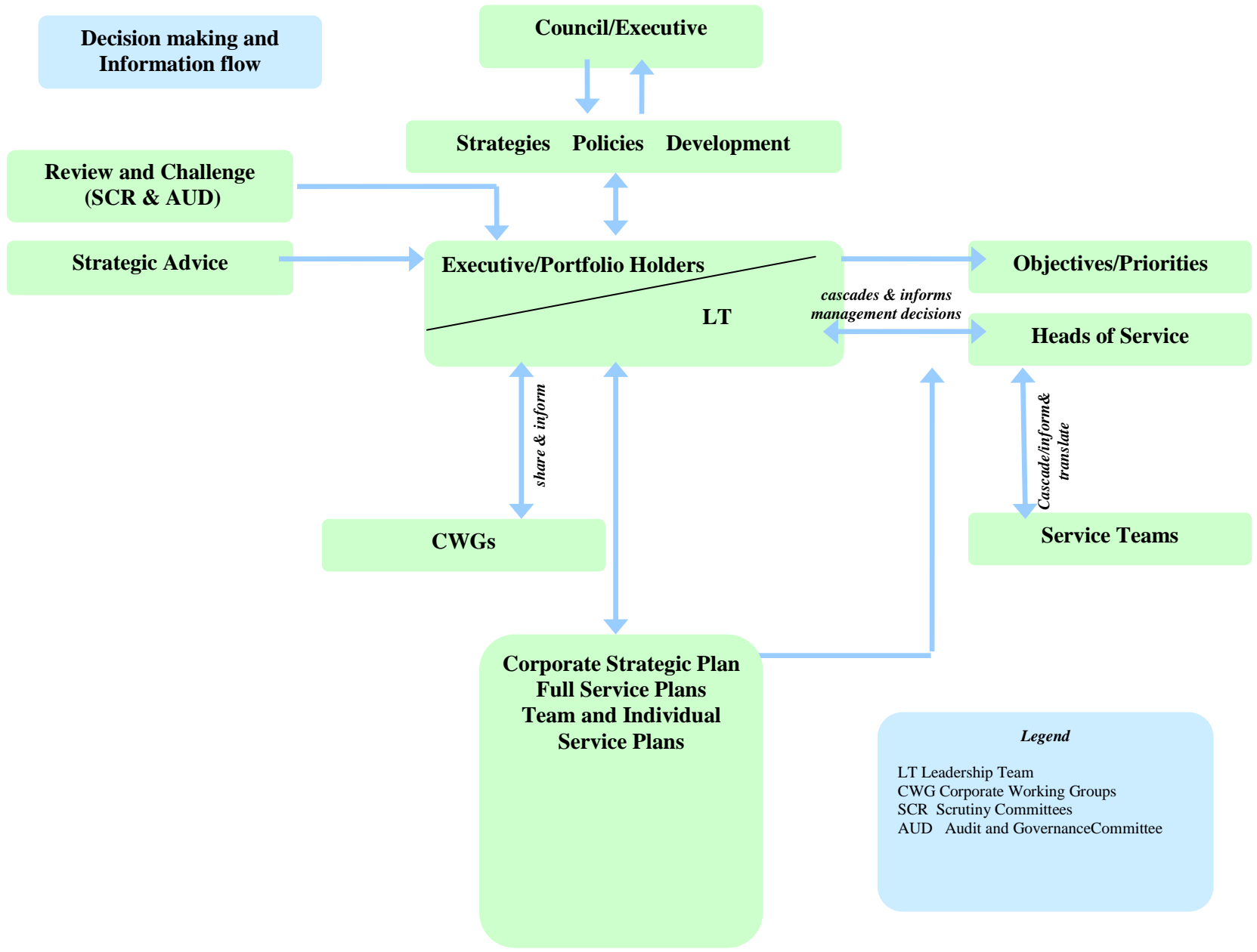
The Council adopted the Leader and Cabinet Executive model. The main features are:

- The Council's Executive consists of a Leader and between two and nine other Councillors.

- The Leader is elected by full Council and will hold office in accordance with the Local Government Act 2000, the Local Government and Public Involvement in Health Act 2007 and the Localism Act 2011.
- The other Executive Members will be appointed by the Leader who will decide their portfolios and also which executive functions will be discharged by full Executive, any of its Committees or any individual Executive Member or officers.
- There are currently seven Councillors on the Executive.

The Council's Leadership Team consisting of the Chief Executive, Directors and the Heads of Services meets on a weekly basis to develop policies and discuss issues commensurate with the Council's aims, objectives and priorities. The Leadership Team also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. Members of the Leadership Team meet with Portfolio Holders regularly to review progress in achieving the Council's ambitions, priorities for action, budget monitoring, performance management and forward planning for major issues. The Leadership Team has a corporate responsibility for the messages that the Council produces, both internally and externally.

Below Leadership Team the management structure is well defined. The chart below indicates how decisions are implemented and cascaded:



c) Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council has adopted a number of codes and protocols that will govern both Member and officer activities. These are:

- Members' Code of Conduct
- Officers' Code of Conduct
- Members' Planning Code of Good Practice
- Member/Officer Relations Protocol

It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Section 151 Officer, s/he will report to the full Council if s/he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Under Section 5 of the Local Government and Housing Act 1989 it is the duty of the Council's Monitoring Officer to report to Council if it appears that the Authority, a Committee or Officer of the Authority has made a decision which is contrary to law.

The Council has responsibility for responding to Freedom of Information Requests (FOI) promptly and within 20 working days.

The Council constantly monitors its speed of response to FOI's and seeks to proactively publish regularly requested information by making a wider range of information more easily available through the Council's website.

The Council determines its Members' Allowances scheme in accordance with the legislative framework. Each allowance scheme is determined following consideration of the recommendations made by its Independent Remuneration Panel. A scheme forms part of the Council's constitution and details of actual allowances paid are published as soon as possible after the end of the year in question.

All Council services are delivered by trained and experienced people. All posts have a detailed job description and person specification. Learning and development needs are identified through the Personal Development Review Scheme and

addressed via the Human Resources service and/or individual services as appropriate.

The Council achieved Silver standard accreditation from 20 April 2016 under the Investors in People Standard, which is a quality framework to ensure that the Council's employees have the right knowledge, skills and motivation to work effectively.

The financial management of the Council is conducted in accordance with Financial Regulations that form part of the Council's constitution. The Head of Strategic Finance and Property is the statutory Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Council has a Treasury Management Strategy Statement and Annual Investment Strategy in place. Investments are made in accordance with the Council's approved policy. All investment transactions and transfers undertaken in house are supported by appropriate documentation and are properly authorised. External fund managers are subject to strict regulation by the Financial Conduct Authority. The Portfolio holder and the Leader of the Council receive regular updates from the Head of Strategic Finance and Property. The Chairman of the Audit and Governance Committee is invited to participate in review meetings with Fund Managers.

The Council utilises an Internal Audit Service delivered under a shared partnership with seven other Councils. This service operates to the standards set out in the CIPFA Public Sector Internal Audit Standards which came into effect on 1 April 2013.

The Council utilises an Anti-Fraud service delivered under a shared partnership service with five other Councils. The Anti-Fraud service provides robust fraud prevention, detection and investigation across Council services.

An Anti-Fraud and Anti-Corruption Strategy and a Disclosure (Whistleblowing) Code are in place. A Whistleblowing hotline and email facility operates and has been well publicised. Each year all staff are required to complete Annual Declaration forms. The Council has adopted a policy on bribery. The Council does not tolerate bribery committed by Council employees or its contractors or partners and will take consistent and swift action against those persons committing bribery.

Individual services have produced Service Plans that are updated each year so that services know what they are required to do to achieve the Council's priorities and outcomes.

At individual employee level the Council has established a Personal Development Review Scheme so as to agree individual employee objectives and identify learning and development needs jointly. The Scheme provides for regular 121's and an annual appraisal at which past performance is reviewed.

d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

The Council has several committees which carry out regulatory or scrutiny functions. These are:

- Overview and Scrutiny committees (Corporate Business Scrutiny, Community Scrutiny, Environment Scrutiny and Health and Wellbeing Scrutiny) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions. They also help to develop new policy and make considered recommendations prior to any major contract tendering.
- Audit and Governance Committee provides assurance about the adequacy of internal controls, financial accounting and reporting arrangements, and that effective risk management is in place. Its work is intended to enhance public trust in the corporate and financial governance of the Council. It has also taken on the role previously provided by the Standards Committee that promotes and maintains high standards of conduct for the Council's Members.
- Development Management Committee determines planning applications and related matters;
- Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- The Human Resources Committee's functions relate to all aspects of the Council's role as an employer. This includes the monitoring and strategic overview of Human Resources activities.

The Council has data protection policies, a Data Protection Action Plan and a data sharing protocol in place to ensure that personal data is maintained securely and used correctly. There is a Data Protection Compliance Governance Framework which involves the Corporate Business Scrutiny Committee in the governance

structure. The Committee takes a strategic oversight of the completion of the Data Protection Action Plan and Data Protection compliance through a formal annual report. Data Protection risk assessment is also part of the service planning process.

The Risk Management Strategy defines risk management, explains the benefits of a strategic approach, outlines how it will be implemented, identifies roles and responsibilities and formalises the process. The Strategy sets out the links between risk management, emergency planning and business continuity. It recognises that risk management is a key part of the management of projects and partnerships.

The Strategy highlights how risk management supports strategic planning, financial planning, policy making and review and performance management.

The Leadership Team is responsible for ensuring that the key risks on the strategic risk register are managed. Strategic and service risk registers are reviewed quarterly. Risks will be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This will ensure that the risk register and the resulting risk mitigation measures are appropriate for corporate objectives and services.

Executive Members have received risk management training.

The Council also has a Partnership Protocol in place.

The Council is represented on the Joint Committee and the Joint Management Board of a shared Revenues and Benefits service with Stevenage Borough Council.

A shared service partnership operates with Stevenage Borough Council to deliver ICT, Business Improvement, Print and Design services. A Partnership Board with Director representation is responsible for making the key decisions.

The Shared Internal Audit Service (SIAS) is a partnership of eight Hertfordshire Authorities. The Council is represented on the Board that provides strategic direction and oversight for the partnership. The Head of Strategic Finance and Property is the Audit Champion for the Council and has monitoring meetings every three months with SIAS managers. Progress reports are submitted to four Audit and Governance Committee meetings per year.

The Shared Anti-Fraud Service (SAFS) is a partnership of six Hertfordshire Authorities. It is a 'sister' partnership with SIAS and has shared governance arrangements through the Partnership Board. The Council is represented on the Board and the Head of Strategic Finance and Property is the Council's Anti-Fraud Champion.

The Council is one of four partners in the Hertfordshire CCTV Partnership. A new company to conduct the commercial trading affairs of the Hertfordshire CCTV Partnership is operating.

The Council is one of seven partners of Hertfordshire Authorities in a Building Control joint venture due to launch in summer 2016, with the TUPE of existing building control staff into the new company. Senior officers will be appointed by East Herts Council to act as a shareholder representative and Director of the new company within the agreed governance structures of the joint venture.

e) Developing the capacity and capability of Members and officers to be effective

The Council plans and provides training for members in carrying out their roles effectively including their responsibilities for governance, challenge, scrutiny and review. The Council did hold accreditation for the Charter for Member Development but when that came to the end of the four year term, it was replaced by a local Member Development Pledge (based on the same parameters as the Charter). The Pledge was originally signed in December 2014 by the leaders of all the political groups represented on the council at the time. It was then re-signed by the Leader on behalf of all Members at Annual Council in May 2015 and will be reviewed during 2016/17.

The Council's vision is to empower Members to be more self sufficient, confident in their community leadership roles and responsive to local issues, problems and challenges in a variety of ways by drawing on existing skills, knowledge, strength, resources and expertise from within. This vision is being taken forward through a comprehensive Member Development programme overseen by a Members' Development Group. With 22 new councillors elected in May 2015, on-going support was offered through a co-ordinated Mentor support programme. A key aspect of on-going peer-to-peer support for local problem solving is the use of Member Support Groups.

The Council has an infrastructure in place to support members' needs in respect of ICT requirements. The Council's Democratic Services team provide general advice and assistance.

Protocols have been adopted to ensure clarity of the respective roles of officers and members.

The Council's recruitment process is designed to ensure only well qualified applicants are employed and the subsequent induction process is robust so that employees are effective. The Performance Development Review process ensures individual contributions are effective in meeting corporate priorities and capability issues addressed by training. Internal communications methods and processes are reviewed to ensure staff remain well informed and their feed back is responded to. A biennial staff survey leads to action plans to improve effectiveness.

The Council reviews its organisation and capacity as part of its annual service planning to ensure its staffing is commensurate in both quantitative and qualitative terms with its business plans. The Council is committed to taking forward the shared services agenda which will ensure more effective use of scarce skills by sharing across boundaries.

The Council's Organisational Development Strategy sets out the Council's workforce development plan over the next four years to support the Council's priorities and values. It focuses on how the Council attracts, retains, rewards and develops its employees.

The Council seeks to maintain effective employee relations to enable a high standard of service to the public to be maintained. Staff are fully consulted on proposed changes to terms and conditions. The Council engages with the trade union and staff to manage issues arising from pay settlements and changes to the organisation including the Local Joint Panel and the Human Resources Committee. The Council also utilises Staff Surveys.

Use is made of the Intranet to provide staff with ready access to learning material and best practice via a series of tool kits.

f) Engaging with local people and other stakeholders to ensure robust public accountability.

The Council encourages all members of the local communities to contribute to, and participate in, the work of the Council. The Council achieves this through the Residents' Survey. Engagement events around specific issues will be considered where they provide a proportionate and cost effective model for engagement.

The Council's Communications Strategy has identified a need to engage more through social media. A quarterly report is submitted to Leadership Team to monitor the delivery of this communications strategy and the levels of social media engagement..

Individual members are active in their localities and with local groups and serve on a number of external bodies. Training is offered to all Members who are asked to represent East Herts on outside bodies and Trusteeships.

Hertfordshire Forward and the East Herts Strategic Partnership are forums for active engagement with wider stakeholders and a mutual holding to account in delivering the Community Strategies.

The Council publishes an Annual Report setting out progress on its priorities in the prior year. An Annual Report on Overview and Scrutiny is also presented to Council and published every year.

There is a strategic approach to consultation to ensure the information returned is reliable – the Council has adopted a Consultation Toolkit setting out best practice.

The Council's web site is under constant review to ensure it is of a good standard and that information is easily accessed. A consultation section has been introduced so members of the public can easily access open consultations and information on past consultations. Members of the public also have the opportunity to present petitions to, and ask questions at, full Council meetings.

The Council manages freedom of information requests effectively to ensure transparency including the corporate governance arrangements. Information is made available on the website to reduce the need for requests. The Council has procedures in place to engage with members of the public to receive Comments, Compliments and Complaints. Oversight of the Council's approach is provided by annual report to the Corporate Business Scrutiny Committee. The Local Government Ombudsman reported on complaints made about the authority for the year ended 31 March 2016 that there were no concerns about response times and no issues arising from complaints.

As part of the Council's drive to increase the transparency of its spending, the Council publishes all payments on a weekly basis and has complied with the requirements of the Local Government Transparency Code.

The Council has approved a Pay Policy Statement as required under section 38 of the Localism Act. The statement follows three principles when publishing data; responding to public demand; releasing data in open formats available for re-use: and releasing data in a timely way.

Review of Effectiveness

This statement explains the Council's overall governance arrangements. Each year, the Council reviews its governance framework including the system of internal control. The Council produces and monitors an Action Plan each year. The process is detailed below:

- The Chief Executive, Directors, Heads of Service, Members of the Executive and Chairmen of Committees are given the opportunity to make contributions.
- Consideration by the Audit and Governance Committee.
- Production of a draft Annual Governance Statement.
- Consideration by Leadership Team
- Consideration by the Corporate Business Scrutiny Committee.
- Consideration by the Executive
- Approval by the Audit and Governance Committee.

The review of effectiveness is informed by the work of the Leadership Team within the Council who have responsibility for the development and maintenance of the governance environment, the reports by the SIAS and also by comments made by the Council's External Auditors and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes:

The Monitoring Officer has a legal duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution annually to incorporate any necessary changes.

The Council has four overview and scrutiny committees. The committees can establish 'task and finish' groups, which can look at particular issues in depth, taking evidence from internal and external sources, before making recommendations on to the Executive. Four Members can "call-in" a decision which has been made by the Executive but not yet implemented, to enable it to consider whether the decision is appropriate. In addition the Corporate Business Scrutiny Committee can exercise its scrutiny role in respect of Executive functions, Scrutiny Committees will conduct regular performance monitoring of all services, with particular attention to areas identified as under-performing.

The Council complies with the Regulation of Investigatory Powers Act (RIPA) 2000:

The Audit and Governance Committee

Ten Councillors sit on the Audit and Governance Committee, which has extensive terms of reference.

The Audit and Governance Committee's terms of references, work programme and the minutes of its meetings are public documents and are published on the Council's web site.

The Shared Internal Audit Service (SIAS) has responsibility for delivery of the Internal Audit Plan at the Council. The SIAS also delivers a service to Hertfordshire County Council, Hertsmere Borough Council, North Hertfordshire District Council, Stevenage Borough Council, Welwyn Hatfield Borough Council, Welwyn Hatfield Community Housing Trust, Watford Borough Council and Three Rivers District Council. The three main drivers for this partnership are seen as providing greater resilience, higher levels of performance and greater efficiencies.

The SIAS is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an annual audit plan. A model for assessing risk against desirability of audit work is used across SIAS and allows for the prioritisation of potential audit projects. Future risks are identified as appropriate and a forward plan for future audit work is in operation.

The reporting process for SIAS requires a report of each audit to be submitted to the relevant chief officer and service manager. The report includes recommendations for improvements that are

included within an action plan (and graded as high, medium or merits attention). This requires agreement or rejection by relevant chief officer and/or service manager. The process includes follow-up reviews of high priority recommendations by SIAS and reports to the Audit and Governance Committee as part of the SIAS update report. The Audit Champion monitors all other recommendations and reports progress to Leadership Team on a quarterly basis. All SIAS audit reports include an opinion on the quality and effectiveness of internal control within the Council's systems, and an assurance assessment.

All final versions of SIAS reports are circulated to members of the Audit and Governance Committee. All reports for the key financial systems audits are also sent to the Council's External Auditors who place reliance on the work carried out by SIAS. In order to comply with the requirements of the Public Sector Internal Audit Standards, SIAS is required to have an independent external review of performance at least every five years.

The latest external review conducted in January 2016 was undertaken by Veritau Ltd (a local authority controlled company which provides internal audit, counter fraud and other governance services). The review concluded that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the Standards. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

For performance management, a traffic light monitoring and reporting system is in place. Performance data is reported to Corporate Business Scrutiny on a quarterly basis, with corrective action plans put in place for any under-performing areas.

Significant governance issues are reviewed each year and required enhancements to internal control arrangements are identified. These required enhancements form an Action Plan that is monitored through the Audit and Governance Committee.

The Head of Assurance's Annual report and opinion on the internal control environment, prepared in accordance with the Public Sector Internal Audit Standards, provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control to inform the Annual Governance Statement. The opinion of the Head of Assurance in respect of 2015/16 is one of substantial assurance in respect of both financial and non-financial

systems, giving significant confidence in the effectiveness of internal control arrangements of the Council. This report also consolidates assurance opinions and actions taken by management to address issues raised during internal audit reviews undertaken throughout 2015/16, and is informed by the comments of external auditors and inspectors.

The Annual Governance Statement is certificated by the Council Leader and the Head of Paid Service.

Further copies of this Statement and the Action Plan are available within the Annual Statement of Accounts on the Council's website www.eastherts.gov.uk; alternatively paper copies can be obtained from:

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