EAST HERTFORDSHIRE DISTRICT COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2008/09 / ACTION PLAN 2009/10

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 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 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.

Further copies of this statement are available on the Council's website www.eastherts.gov.uk/annualgovernancestatement2008/09, alternatively paper copies can be obtained from:

East Hertfordshire District Council
Internal Audit & Business Improvement Manager
The Causeway
Bishop's Stortford
CM23 2EN

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and 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, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to prioritise and manage them efficiently, effectively and economically.

The governance framework described below has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

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:

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 Hertfordshire Local Strategic Partnership, which brings together all relevant stakeholders, including those that deliver services in the area. During 2008/09 the Sustainable Community Strategy replaced the earlier Community Plan.

The Council's aims and objectives are set out in the annually updated Corporate Strategic Plan. This contains six visions, plus related aims and objectives. The Corporate Strategic Plan sets out what the Council expects to deliver over the next three years time and, in many cases, beyond this timeframe. The details of how the Council will get there are incorporated in the individual service plans. The Plan will be updated each year to include new service developments planned for the third year of each plan

and to remove actions once they are completed. 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 diagram below sets out the various links in the process of establishing and subsequently monitoring the achievement of the Council's ambitions, and 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.

Sustainable Community Strategy

Corporate Strategic Plan

Service Plans

Targets

Outcomes

The Council has an effective performance management framework using a dedicated IT system to record and report performance. The system is driven by the Service Plans which focus on activities that will deliver the Council ambitions and priorities. This is cascaded through individual employee appraisals.

This process monitors how the Council is meeting its targets and triggers corrective actions where targets are proving challenging.

The Council's Executive and its Scrutiny Committees monitor and scrutinise progress against targets and performance in priority areas affecting relevant service areas, and consider and approve corrective action where necessary. This reporting is undertaken using a graphical speedometer system so as to make interpreting of the results easier. There are reports which include 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 monthly basis and respond quickly and effectively to changes at an early stage.

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The Council maintains an objective and professional relationship with external auditors and statutory inspectors, as evidenced by the Annual Audit Letter.

Through reviews by external auditors, external agencies, Internal Audit, and internal review teams, the Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council has adopted Contract Procurement Rules in order to ensure proper arrangements are in place for procurement of goods and services.

The Council reviewed its financial rules in February 2008, with modernised financial regulations being approved by Council in March 2008. Revised procurement rules were adopted at the same time. All budget heads 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. These changes maintain control but allow greater flexibility.

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 to ensure these are efficient, transparent and accountable to local people. The constitution reflects the 'Executive/Scrutiny' model following the Local Government Act 2000.
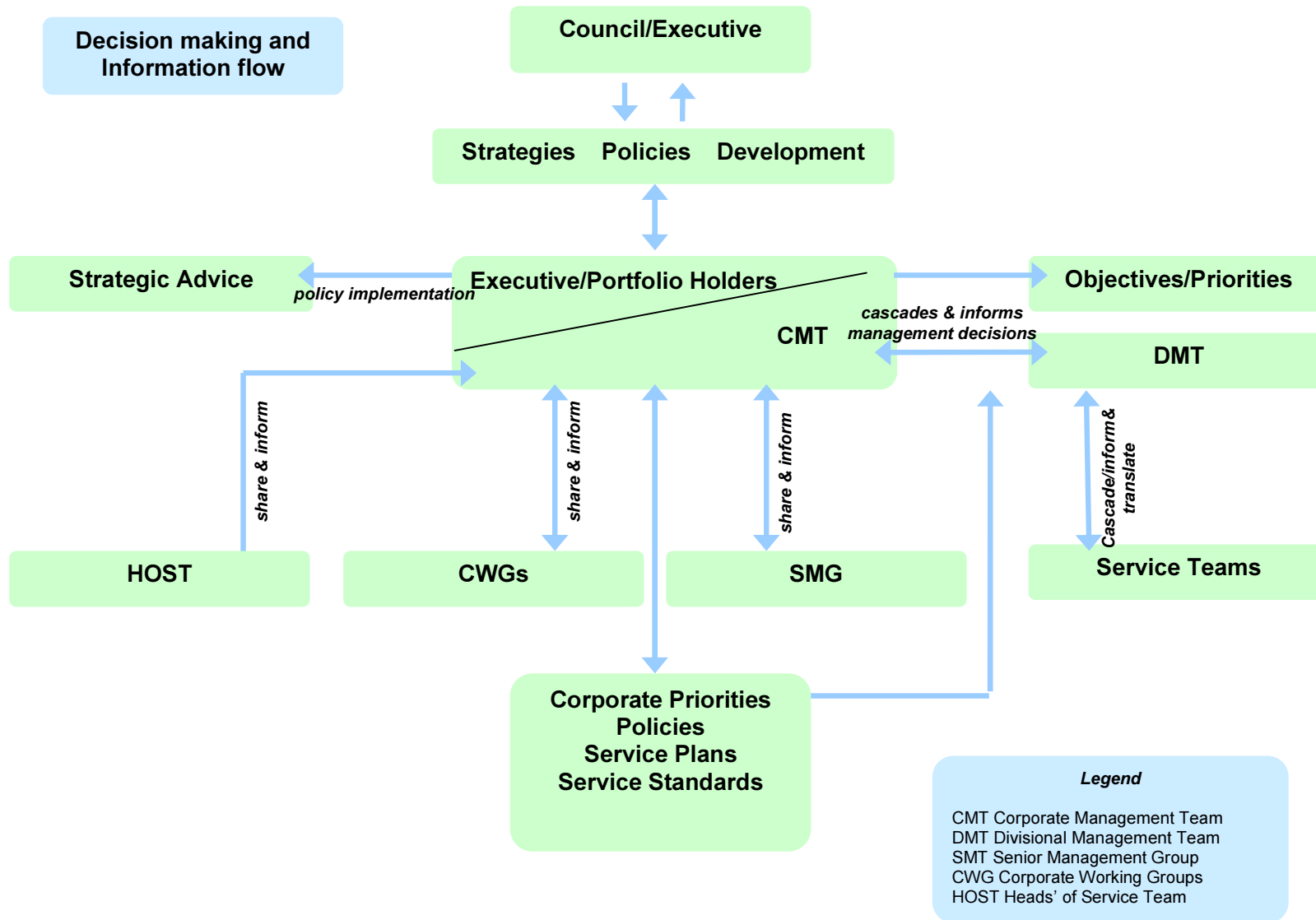
The main decision-making committee is the Executive, which is responsible for all executive matters as defined by law and operates within the budget and policy framework approved annually by full Council. Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior and other officers of the Council can make decisions under delegated authority – again the extent of these delegations is set out in the constitution. The Council publishes a forward plan which contains details of key decisions to be made by the Executive. Each Executive Member has a specific portfolio of responsibilities requiring them to work closely with senior and other employees and other stakeholders so as to achieve the Council's ambitions. The Council has adopted individual decision-making powers for the Portfolio Holders.

A Member-officer group undertook a thorough audit of the constitution. This resulted in amendments to the constitution which were approved by Council in March 2009. The constitution has been made more user friendly with an improved layout and greater clarity. A new guide and flowcharts have been added to improve accessibility and understanding of the Council's decision-making process.

The Council's Corporate Management Team (CMT) consisting of the Chief Executive and Directors meets on a fortnightly basis to develop policy issues commensurate with the Council's aims, objectives and priorities. CMT also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management. Members of CMT meet with Portfolio Holders on a monthly basis to review progress in achieving the Council's ambitions, priorities for action, budget monitoring, performance management and forward planning

for major issues. CMT has a corporate responsibility for the messages that the Council produces, both internally and externally.

Below CMT the management structure is well defined comprising the following groups and teams, the chart below indicates how decisions are implemented and cascaded:

Decision making and Information flow

Council/Executive

Strategies   **Policies**   **Development**

Strategic Advice

policy implementation

Executive/Portfolio Holders

CMT

cascades & informs management decisions

Objectives/Priorities

DMT

share & inform

share & inform

share & inform

Cascade/inform & translate

HOST

CWGs

SMG

Service Teams

**Corporate Priorities
Policies
Service Plans
Service Standards**

Legend

CMT Corporate Management Team
DMT Divisional Management Team
SMT Senior Management Group
CWG Corporate Working Groups
HOST Heads' of Service Team

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Planning On Line Group
Safety Committee
Working Arrangements Project Group
Working Arrangements User Group
Business Continuity Corporate Group
Climate Change Strategy – Member Group
Emergency Planning
Operational Risk Management
EU Services Directive Group

ICT Strategy Group
ICT Members Group
ICT Liaison Group
Corporate Procurement Strategy
Emarket place
Responsible Authorities Group
Use of Resources
Equality Officers' Group

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

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

The Council has designated the Director of Neighbourhood Services as the Monitoring Officer. 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 he will report to the full Council if 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.

The processes have ensured compliance with policies and good practice such that there was no instance during 2008/9 of the Monitoring Officer having to consider the need for a report.

The Council recognises that expenses of politicians have recently come under serious scrutiny. The Council has an Independent Remuneration Panel which makes recommendations to Council on allowances to be paid to Members. The current scheme is published in the Constitution.

All Council services are delivered by trained and experienced people. All posts have a detailed post profile and person specification. Training 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 re-accreditation for a further three years from April 2009 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 the Constitution and with Financial Regulations. The Director of Internal Services 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 FSA. The Portfolio holder and the Leader of the Council receive regular updates from the Director of Internal Services.

The Council maintains an Internal Audit section, which operates to the standards set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Individual services have produced Service Plans, which currently cover 2009/10. These Service Plans are updated each year so that services know what they are required to do to achieve the Council's priorities and ambitions.

At individual employee level the Council has established a Personal Development Review Scheme so as to jointly agree individual employee objectives and identify training and development needs. The Scheme provides for an annual appraisal at which past performance is reviewed, and also provides for monitoring of performance during the year.

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. Following a review in November 2007 these are:

- Development Control Committee determines planning applications and related matters;
- Standards Committee promotes, monitors and enforces probity and high ethical standards amongst the Council's Members, and this extends to having the same responsibility for all town and parish councils within the District;
- Audit 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;
- Licensing Committee monitors and reviews the effectiveness of the Council's licensing policy and procedures;
- Overview and Scrutiny committees (Corporate Business Scrutiny, Community Scrutiny and Environment Scrutiny) review and/or scrutinise decisions made or actions taken in connection with the discharge of any of the Council's functions, developing the capacity and capability of members and officers to be effective.

The Council has adopted new data protection polices and a data sharing protocol to ensure personal data is maintained securely and used correctly.

The Council commissioned Zurich Insurance Company to audit its approach to risk management. Following recommendations from Zurich, the Council has adopted an improved Risk Management Strategy which was approved in February 2009.

The 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 Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed. Strategic and service risk registers are reviewed on a quarterly basis. 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.

New risk management reporting arrangements are included which describe the roles and responsibilities of Members and officers. Members have received training on the new strategy.

The Strategy sets out the foundation for integrating risk management into the Council's culture and addresses the challenges raised by the Comprehensive Area Assessment (CAA). It will also formalise the process to be applied across the Council to ensure consistency and through greater clarity improve understanding of the role and benefits of strategic risk management.

A new Strategic Risk Register was developed during a series of workshops with Corporate Management Team. New operational risks have also been developed. The Council is implementing a new Partnership Protocol.

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. In 2008/09 training events included risk management, performance management and community leadership. Specialised training has been provided to enable members to undertake regulatory functions. The Council has an infrastructure in place to support members' needs in respect of ICT requirements and the Council's Democratic Services team provide 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 PDR 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. An annual staff survey leads to action plans to improve effectiveness.

Training in professional and management competencies in 2008/09 had a particular focus on change as the Council enters a period of restructure in implementing the C3W programme.

 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 the Pathfinder programme which will ensure more effective use of scarce skills by sharing across boundaries.

The Council's Human Resources People Strategy seeks to ensure its pay and terms and conditions are adequate to attract and retain sufficient staff and to encourage staff to invest in their own development.

Extensive use is made of the Intra net to provide staff with ready access to learning material and best practice via a series of tool kits.

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

The Council is committed to encourage all members of the local communities to contribute to, and participate in, the work of the Council. The Council achieves this through its resident polls, Community Voice, Citizens Panel and the national Place Survey, to ensure that what it is doing meets the needs of its residents. The Council carried out its last residents' survey in 2007 with a random sample of 823 district residents. The next residents' survey will be conducted by the Council's external research consultants Opinion Research Services in the summer of 2009. This will be the first year the Council has undertaken the residents survey by a postal questionnaire rather than face to face.

The Council consults a representative sample of its Citizens Panel every year on the forthcoming budget proposals and for 2009/10 this took place on 11 October 2008. As a result of this consultation, along with specific focus group consultation with hard to reach groups, it was agreed in 2009/10 that the Council would encourage and support businesses to permit use of their toilets by others as well as customers making immediate purchases. A further example is the decision to return the responsibility for providing community meals to Herts County Council.

The national Place Survey is another vehicle the Council uses to engage with the local community. The Place Survey was introduced to replace the Best Value Performance Indicator (BVPI) survey. Currently the Council is waiting the release of the satisfaction data from this survey, which will then be used to inform the development and shape of services in partnership with others.

Internally the Council consults with its own staff every two years. The most recent Staff Survey was undertaken in December 2008 and it demonstrated that staff satisfaction had increased by 11 percentage points compared to the 2006 survey from 65% to 76%.

7.14

The Council's Community Voice meetings engage with the public. This information will be used to shape the future development of our vision including future investment and service provision. As part of this process, any impact on governance arrangements will be identified and responded to appropriately.

Individual members are active in their localities and with local groups and serve on a number of external bodies.

The Hertfordshire County LSP and the East Herts District LSP are forums for active engagement with wider stakeholders and a mutual holding to account in delivering the Community Plans.

The Council publishes an Annual Report setting out progress on its priorities in the prior 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 review to ensure it is of a good standard and that information is easily accessed

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of its governance framework including the system of internal control. The process to be adopted for a review is (dates shown are the dates of meetings when this draft Statement will be reviewed):

- Production of a draft Annual Governance Statement, and circulation for comments by senior managers.
- Consideration by the Audit Committee of the draft (29 June 2009).
- Consideration by the Corporate Business Scrutiny Committee (14 July 2009).
- Consideration by the Executive (28 July 2009).
- Consideration by the Standards Committee (11 August 2009).
- Further review by senior managers, plus completion of the 'significant governance issues' section based on External and Internal Audit reports and reviews, plus any other relevant work (Corporate Management Team 11 August 2009).
- Approval by the Audit Committee (2 September 2009).
- Approval by full Council (30 September 2009).

The next paragraphs give more detail regarding the actual review process, and actions undertaken during 2008/09.

The review of effectiveness is informed by the work of the Directors within the Council who have responsibility for the development and maintenance of the governance environment, the reports by the Internal Audit and Business Improvement Manager 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 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 regularly to incorporate any necessary changes. A full review of the scrutiny function was undertaken during the latter part of 2007 to ensure it was effective and reflected current best practice and legal requirements. The Financial Regulations and procurement rules were replaced in March 2008 to ensure that they complied with current best practice. An annual review is undertaken reporting to the Annual Council in May. An audit involving a Member group was undertaken in 2008/2009. E-Marketplace has been introduced to reduce transaction cost; speed up processing and provide detailed monitoring information. This will also improve the effectiveness of controls over procurement activities.

- The Council has three 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 to the Scrutiny Committee. 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. During 2008/09 examples of task and finish work were groups set up to examine refuse collection and a review of performance data reported to members.

- In July 2008 the Standards Committee approved processes for local assessment of complaints to be processed.

Quarter	Case Details	Date received by EH	Source of complaint	Referral Decision	Date of decision whether to refer
2008 4th Quarter	EHDC/1/08	14/10/08	Parish / Town Clerk	Referred to MO for investigation	30/10/08
	EHDC/2/08	14/10/08	Member	Referred to MO for alt. measure – apology	30/10/08
	EHDC/3/08	03/12/08	Council Officer	Referred to MO for investigation	22/12/08
	EHDC/4/08	03/12/08	Council Officer	Referred to MO for investigation	22/12/08
Quarter	Case Details	Date received by EH	Source of complaint	Referral Decision	Date of decision whether to refer
2009 1st Quarter	EHDC/01/09	20/01/09	Public	Referred to MO for investigation	25/02/09
	EHDC/02/09		Public	Referred to MO for investigation	25/02/09
	BSTC/01/2009	02/02/09	Town Councillor	No Action	06/03/09

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The Standards Committee has received extensive training on the new system.

- The Audit Committee. It is the function of the Audit Committee :

  - To consider reports dealing with the management and performance of the providers of internal audit services.
  - To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
  - To consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
  - To comment on the scope and depth of external audit work and to ensure it gives value for money.
  - To monitor the effective development and operation of risk management and corporate governance in the Council.
  - To monitor Council policies on "Confidential Reporting" and the anti-fraud and anti-corruption strategy and the Council's complaints process.
  - To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
  - To consider the Council's compliance with its own and other published standards and controls.
  - To review the annual statement of accounts
  - To consider the External Auditors report to those charged with governance on issues arising from the audit of the accounts.

  The Audit Committee's work programme and the minutes of its meetings are public documents and are published on the Council's web site or may be obtained from:

  East Hertfordshire District Council
  Internal Audit & Business Improvement Manager
  The Causeway
  Bishop's Stortford
  CM23 2EN

- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a 3-year plan, from which the annual workload is identified. The reporting process for Internal Audit 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 low risk). This requires agreement or rejection by relevant chief officer and/or service manager. The process includes follow-up reviews of recommendations to ensure that they are acted upon, usually within six months. All Internal Audit reports include an opinion on the quality and effectiveness of internal control within the Council's systems, and an assessment in accordance with quantification and classification of internal control level definitions.

Substantial assurance	All required controls are in place and functioning correctly, performance indicators are good and no errors were detected during the period of review.

Good assurance	All major controls are in place, some minor controls may be absent or have faltered, performance indicators are good and no errors were detected during the period of review.
Adequate assurance	Major controls are in place, some minor controls may be absent or have faltered, performance indicators suggest no problems and no significant errors were detected during the period of review.
Limited assurance	Major controls have failed or are absent and/or major errors have been detected during the period of review.

Direction of travel statements in respect of any change of audit opinion since the previous review are also contained within all audit reports.

All Internal Audit reports are circulated to members of the Audit Committee and the progress reports on the work of Internal Audit address issues arising from these ratings.

The Internal Audit service is subject to regular inspection by the Council's External Auditors who place reliance on the work carried out by the section.

For performance management, a traffic light monitoring and reporting system is in place. Reporting to Audit Committee is on a quarterly basis, with corrective action plans put in place for any under-performing areas.

As part of the CPA framework for districts, the Council has been assessed twice under the 'use of resources' category. The outcome of this assessment (in December 2007) was to award a score of 3 (out of 4). The framework for "use of resources" has been amended in the past year to widen its scope and the Council has undertaken a self-assessment exercise against the new key lines of enquiry. As at the date of this report the Audit Commission assessment is still awaited. However, with it being a harder test, the expectation, along with most other councils, is that a different score will be reflected.
The most significant areas where the self assessment has highlighted further development is needed are set out below.

The Council's Corporate Management Team has reviewed this Annual Governance Statement and the evidence supporting it.

Significant governance issues

The following governance issues were identified during 2008/09 as a result of the review of arrangements and by the work of external and internal audit:

Issue	Action/Progress to date
Risk of being unable to meet & reprioritise	The Service Plan process identifies where there is a need to change service priorities and enables changes to be made to the provision of services to meet the changing demands of the public.

changing demands from the public.	In setting its priorities the Council recognises the importance of public engagement to ensure that Council decisions are well-informed.
Risk that Pathfinder Group fail to deliver required levels of efficiency across Hertfordshire.	Priorities for Pathfinder are set by the Hertfordshire Leaders Group, supported by the county-wide Hertfordshire Chief Executives Group. In 2008/09 early priorities were identified and progress is being made on the development of shared support services. The additional 0.5% efficiency target has been achieved.
Risk of significant variance from financial plan.	The monthly Health Check monitors the financial situation. This is reported to the Corporate Management Team and the Executive. Corrective measures are identified as appropriate.

The single most significant financial risk is around investment income, given volatility of interest rates. The Medium Term Financial Plan makes provision to use funds from the Interest Equalisation Reserve. In 2008/09 the Council reviewed its treasury management arrangements in response to the Audit Commission report on Icelandic investments. Corporate Business Scrutiny Committee recognised the need to ensure greater Member oversight on treasury management issues. Further Internal Audit reviews of Treasury Management will be undertaken during 2009/10.

There is currently significant pressure on local authority income generated from taxpayers. This includes parking, land searches and building control. Collection of council tax and business rates are likely to fall during economic downturns whilst there is also an increase in applications for benefits. This could result in a greater risk to controlling costs and maintaining performance.

A lack of receipts from the sale of capital assets would increase the risks of not being able to deliver the capital programme in the medium term. |
| Risk of action by key strategic partnerships occurring in an uncoordinated way. | A partnership protocol is still being developed to be applied to all key partnerships to ensure risk is effectively managed within partnerships and that good governance arrangements are in place. Registers for significant individual partnerships have been completed. |
| Need to ensure the Council has the capacity and capability to commission and | A Procurement Officer post is shared with North Herts Council as a means of best practice. The Corporate Procurement Strategy is being updated and will be presented to Corporate Business Scrutiny Committee in July 2009. An Annual Procurement Plan will be developed. Procurement has been identified as an early project |

procure quality services and supplies, tailored to local needs, to sustainable outcomes and value for money.	within Pathfinder. Procurement Officer to provide advice on new initiatives.
Need to promote and demonstrate the principles and values of good governance, particularly through a strong ethical framework and culture.	The Constitution was audited in full and revisions were approved by Council in March 2009. The Anti-Fraud and Anti-Corruption Strategy and the Disclosure Code are being revised. Training for Members and officers will be provided on the revised Members' Code of Conduct and the officer Code of Conduct in January 2010. The Council has made good progress in these areas but recognises the need to respond to recent public concerns following events at Westminster that have served to undermine public confidence in government generally. Internal Audit will review arrangements for the claiming and payment of Members Allowances during 2009/10. The Independent Remuneration Panel will commence a review of the Council's Members Allowance Scheme in Autumn 2009.
Need to ensure that the HR policies that have been developed throughout 2008/09 become embedded across the organisation.	The HR People Strategy 2009-12 which is the Council's framework for the delivery of people management has been developed and is subject to approval by Human Resources Committee in July 2009.
Need to ensure that the Audit Committee is effective across all areas of its responsibilities.	The Audit Committee has been in place since May 2006. Members will be given the opportunity to assess the effectiveness of the Audit Committee and identify training needs.

The following table contains five outstanding governance actions from the Annual Governance Statement Action Plan 2008/09.

Required enhancements to internal control arrangements:

Milestone	Resp. Off.	Target Date	Position as at 29 May 2009	Status
Risk of failure to deliver an effective, efficient and	Peter Searle	March 2010	Reviews of IT Services undertaken by SOCITIM, External and Internal Audit. Implementation of outstanding	**AMBER**

7.20

			recommendations has been included within PDR's for IT managers. Follow-up of all outstanding recommendations from these reviews have been picked up by Internal Audit in April/ May 2009. IT Resources are now more strategically deployed. There is a dedicated resource focussed on IT Strategy and two other areas focussed on Development and Network/ Systems support.	
economic IT service				
Leisure Contract- risk of contract failure	George Robertson	March 2010	New contract with SLM commenced 1 January 2009. A project team has overseen the total procurement process, supported by an external consultant with expertise in this field. A number of professional officers from across the council have also contributed to ensuring the process benefited from a wide number of perspectives. External Audit have reviewed the arrangements for awarding the Leisure Management contract. Their report was presented to Audit Committee on 31 March 2009. It confirms good practice by the Council and provides suggestions for improvement. A post award review group met on 13 March 2009. The next phase in the Leisure Contract revolves around capital works at the two major leisure centres.	**AMBER**
Working arrangements- risk of failure to introduce flexible working arrangements will limit the opportunity to make cost savings, opportunities to	Philip Hamberger	July 2011	The Changing The Way We Work Programme (C3W) is continuing. Flexible working, including remote and home working, to be developed to reduce the office space and desk requirements is being introduced in an initial service. A schedule for other services has been agreed in principle. Specialist support is being commissioned where it has	**AMBER**

work with other partners and adversely affect staff retention.			been requested by IT management. Work is continuing with Heads of Service to identify the benefits that can be attributed to C3W. Risks are reported to the Programme Board.	
Risk Management- risk that strategies and risk registers do not reflect an accurate position.	Simon Drinkwater Chris Gibson	July 2009	A revised strategy and Strategic Risk Register was approved by Council on 18 February 2009. Operational risks have been identified in service plans and are currently being analysed, following on from a workshop was held in March 2009. Revised operational risks will be considered by Departmental management Teams for monitoring and review with advice and support. Results will be reported on a quarterly basis.	**AMBER**
To implement health and safety risk assessments and to continue the programme of health and safety training and to review the effectiveness of the risk assessment toolkit and training initiatives.	Chris Gibson	March 2010	Existing risk assessment processes updated, streamlined and simplified to promote ease of use. A set of generic risk assessments have been produced that are designated to reduce management workload without reducing the commitment. Risk assessments have received positive feedback. Additional Display Screen and Workstation Assessors and Safety Liaison Officers have been recruited. Training arrangements for these staff are already in place. Very good progress in all areas of health and safety. The profile of the Council's Health and Safety Officer has been raised significantly.	**AMBER**

We propose to address the above matters 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.

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Certification by the Leader of the Council and the Chief Executive

Name	Position	Date	Signature
Councillor A P Jackson	Leader		
Anne Freimanis	Chief Executive		