

## **ANNUAL GOVERNANCE STATEMENT 2019/20**

### **Introduction**

East Hertfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, and that public money is safeguarded and properly accounted for, 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 value for money.

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.

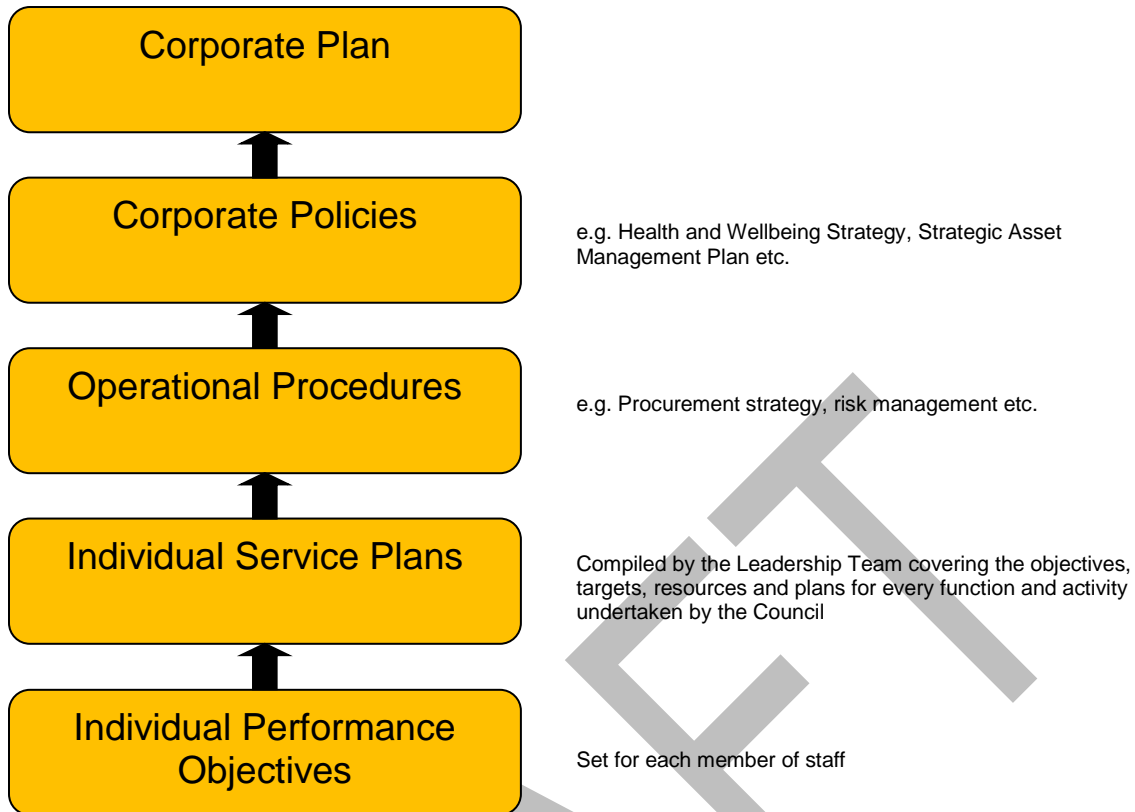
The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

The Annual Governance Statement has been prepared and published in accordance with the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework'). This fulfils the statutory requirement that Local authorities review their governance arrangements at least once a year. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for;
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework also expects that local authorities should implement appropriate arrangements for the governance of their affairs in a way that facilitates the effective exercise of functions and ensures that the responsibilities set out above are met.

The following diagram shows how the Council's plans and strategies link together.



## Meeting the CIPFA/SoLACE Framework Requirements

The Council has approved and adopted:

- a Code of Corporate Governance;
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016;
- a number of specific strategies and processes for strengthening corporate governance

The following sets out how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2019/20.

**Principal A      Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

The Council has a Code of Conduct for elected Members and a Code of Corporate Governance which provides guidance for officers and Members on expected standards of behaviours to ensure integrity. The Council had three priorities for 2019/20 which were:

Priority	Outcomes we want to see
Improve the health and wellbeing of our communities	<ul style="list-style-type: none"> <li>• Residents living active and healthy lives</li> <li>• Support for our vulnerable families and individuals</li> <li>• Communities engaged in local issues</li> </ul>
Enhance the quality of people's lives	<ul style="list-style-type: none"> <li>• Attractive places</li> <li>• Future development best meets the need of the district and its residents</li> </ul>
Enable a flourishing local economy	<ul style="list-style-type: none"> <li>• Support our businesses and the local economy</li> <li>• Vibrant town centres</li> <li>• Working with others, to have achieved the right infrastructure for our businesses and communities</li> </ul>

To support these priorities Members and officers receive training in Code of Conduct and behaviour issues. The Standards Committee and Monitoring Officer keep Codes of Conduct up to date and investigate any suspected breaches.

All officers and Members sign up to the Council's Anti-Fraud, Bribery and Corruption Policy. In addition, the Performance, Audit and Governance Oversight Committee receive an annual report setting out the arrangements in place and how these have been applied in practice during the year. The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about questionable behaviour and ensuring that any concerns raised are properly investigated.

All Council decisions have to consider legal implications which are recorded on the Council's website. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisors. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to Members.

**Principal B      Ensuring openness and comprehensive stakeholder engagement**

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication. The Council's constitution sets out how it engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and representation on the governing bodies of external organisations including local NHS bodies, neighbourhood forums, local business and other local authorities.

In addition to local associations, the Council also works closely with town and parish councils to ensure comprehensive involvement in all its decisions.

The Council periodically publishes a newsletter – Network eNewsletter. This is a free publication and is also available online and the Council utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins are created for various communities of interest, such as Businesses and Families.

**Principal C      Defining outcomes in terms of sustainable economic, social and environmental benefits**  
**Principal D      Determining the interventions necessary to optimize the achievement of the intended outcomes**

The Council's strategic vision for East Herts is set out in Our Corporate Strategy Plan. In pursuit of this vision, the Council develops various strategies to define specific outcomes for key service areas. Each Service also plans out how it will deliver the outcomes relevant to its area of work through business plans in accordance with the agreed annual budget. To remain focused on delivering sustainable social and environmental benefits, the Council has a Sustainable Community Strategy as well as a series of more specific strategies. These include the Health and Wellbeing Strategy, The Homeless and Homeless Prevention Strategy, Customer Services Strategy and Disclosure (Whistleblowing).

Key service decisions are subject to scrutiny by the Overview and Scrutiny Committee which includes lead Members. Reviews of options and risk by officers and Members and key performance indicators are in place for all services. These are reported quarterly and include reports to the Performance, Audit and Governance Oversight Committee for discussion and consideration of intervention where target performance is not being achieved.

Budget proposals are developed by services, challenged and subject to scrutiny by the Leadership Team. The Council regularly engages with other authorities to learn and understand best practice as achieved in other places.

**Principal E      Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

A key element of the Council's service planning is to maximise the investment in staff through staff training, including the management development programme to empower and facilitate our senior managers and through them our workforce. All employees are enrolled on the Performance Development Review Scheme (PDRS) which assists employees in creating learning and development plans.

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

**Principal F      Managing risks and performance through robust internal control and strong public financial management.**

The Risk Management Strategy sets out the Council's approach to identifying and controlling risk. Risk registers are maintained at a corporate and project level with significant risks reported to the Leadership Team and to the Performance, Audit and Governance Oversight Committee.

Service outputs, outcomes, and achievements are monitored and reported quarterly.

The Council has an Anti-Fraud and Anti-Corruption strategy as well as Financial Regulations which set out expected processes and internal controls. The Shared Internal Audit Service (SIAS) team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment.

East Herts Council has a good record of strong financial management. Internal quality assurance processes have been enhanced by implementing the new finance system for financial planning and reporting.

**Principal G      Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.**

All Council decisions are published online together with supporting information to outline why such decisions were taken above alternative options. The Council follows the Government Communication Service guidance on providing clear and accurate information, and has developed its website to improve transparency and accessibility.

The Council reports its financial performance for scrutiny at the Performance, Audit and Governance Oversight Committee. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services, and reports performance and finance within the same document for ease of comparison.

**Review of Effectiveness**

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.

Internal Audit activity provided by SIAS is overseen by the SIAS Board and its responsibilities are defined through the Internal Audit Charter. The Charter is applicable to all clients of Hertfordshire's SIAS and provides them with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan.

From the internal audit work undertaken in 2019/20, the SIAS can provide the following assurance on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems as follows:



The Council's Head of Strategic Finance and Property has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs, hence the S151 officer relies amongst other sources, upon the work of internal audit in reviewing the operation of systems of internal control and financial management.

Overall, the assurance provided by internal audit has improved on 2018/19. During 2018/19 there were six audits that only had a rating of limited assurance and twenty one high priority recommendations were issued. The annual report from SIAS shows that for 2019/20 there was only one audit rated as limited assurance and only one associated high priority recommendation.

The Council's external auditor, Ernst & Young, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing value for money. The most recent Audit Letter, issued in November 2019 identified no material errors in the accounts and gave an unqualified opinion. They also concluded that East Herts has put in place proper arrangements to secure value for money in the use of resources.

The Council's Finance Team have undertaken a review to confirm that the principles described above have been in place throughout the year. Management Assurance Statements, signed by the Heads of Service have also been obtained to provide confirmation that Codes of Conduct, Financial Regulations, and other corporate governance processes, have been operating as intended throughout the year so far as they are aware.

**Follow up of issues identified in 2018/19**

During 2018/19, the following required enhancements to internal controls were identified as a result of reviews of arrangements and by the work of external and internal audit.

Issue	Actions delivered to achieve milestone
<p><u>IT Shared Service Improvement Plan</u></p> <p>Management should complete the review of the IT policies and tailor them to the needs of both Councils.</p> <p>These expectations should form the basis for a defined IT Strategy for the Shared IT Service, which should include as a minimum:</p> <ul style="list-style-type: none"> <li>○ The expectations for the levels of service to be provided</li> <li>○ The metrics for monitoring the performance of the Shared IT Service.</li> <li>○ The performance of the Service should be reviewed on a routine basis by the ICT Partnership Board and measured against the defined metrics and key performance indicators.</li> </ul>	<p>The IT Strategy was approved by the Executive at Stevenage Borough Council in October 2019 and by Council at East Herts in December. This is an extensive document which far exceeds the minimum requirements contained in the recommendations. Performance of the Service is reviewed on a routine basis by the ICT Partnership Board and measured against the IT Strategy.</p>
<p><u>Cyber Security</u></p> <p>Management should establish a network access control to block unknown or</p>	<p>The Council has created a Security and Network Team which has been tasked to look at security/network tools. There is</p>



<p>unauthorised devices from connecting to the Council's IT network.</p> <p>There should be a record of the configuration of the Council's firewalls, which includes but is not limited to:</p> <ul style="list-style-type: none"> <li>○ The purpose of all of the rules</li> <li>○ The expected configuration and activity for each rule</li> <li>○ The member of staff that requested and approved the rule</li> <li>○ The configuration of the firewall should be reviewed on a routine basis.</li> <li>○ The Service should develop a Firewall rule policy to provide the list of controls that are required to secure firewall implementations to an approved level of security</li> </ul>	<p>also a planned upgrade to office 365.</p> <p>Financial and resource restrictions have delayed the procurement of network tools to financial year 2020/21.</p> <p>Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on as part of that plan.</p>
<p><u>Incident Management</u></p> <p>Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p>	<p>We have started a project to install a secondary microwave link between our data centres. This will give us a resilient link where either can be down and connectivity remains.</p> <p>Also, with our upgrade to Horizon VDI, we are installing hardware which will allow either site to run 100% of capacity.</p> <p>Implementation was scheduled for January 2020 but is now expected to complete in April. Grant funding has been secured for an external review of disaster recovery post implementation.</p>
<p><u>S106 Spend Arrangements</u></p> <p>Record keeping of S106 contributions, the spend arrangements and associated timeframes be reviewed to confirm fitness for purpose. An effective master record is adopted for monitoring and reporting purposes.</p>	<p>To take forward the recommendations and provide oversight of S106 contributions a role was created of Infrastructure Contributions and Spend Manager.</p> <p>A review of all received financial contributions from 1996 to date was undertaken to create a Master Received Contributions Spreadsheet.</p>

## Issues identified in 2019/20

During 2019/20, the following required enhancements to internal controls were identified as a result of reviews of arrangements and by the work of external and internal audit.

Issue	Actions delivered to achieve milestone
<p><u>Full implementation of high priority recommendations related to IT</u></p> <p>The implementation of some recommendations has had to be re-scheduled. Management is actively monitoring these issues and full implementation should be achieved during 2020/21.</p>	<p>Revised action plans have been established which take account of resource constraints and changes to working practices during the pandemic.</p>
<p><u>Regulation of Investigatory Powers Act</u></p> <p>Compliance with the Act is monitored by the Investigatory Powers Commissioners Office. During November 2019 an inspection of the Council's arrangements resulted in a critical assessment. The Council was not meeting legal requirements in several areas and was given a list of eight required actions.</p>	<p>The Monitoring Officer has conducted a thorough overhaul of the Council's policy and procedures to address the required actions. New policies were reviewed by the Overview and Scrutiny Committee on 16 June 2020 and were adopted by the Executive at its meeting on 7 July 2020.</p>
<p><u>Information Governance</u></p> <p>A review by Internal Audit has highlighted a need to improve some areas of information governance:</p> <ul style="list-style-type: none"> <li>○ Lack of an adequate Information Asset Register</li> <li>○ Information Management policies and procedures are out of date</li> <li>○ Lack of a defined and enforced retention schedule</li> <li>○ Lack of defined disposal and destruction procedures.</li> </ul>	<p>Options to expand the staff resources working in this area are being explored and an action plan will be constructed to address the shortcomings identified.</p> <p>The Council's Information Asset Register and Retention Schedule have since been located. Whilst they will need to be reviewed, this can be undertaken as soon as the expanded staff resource is in place.</p>

Conclusion

The Council is satisfied that appropriate governance arrangements are in place however, it remains committed to maintaining and where possible improving these arrangements, in particular by:

- promptly addressing the issues identified by Internal Audit as requiring improvement
- constructing a governance calendar to assist with the monitoring and updating of key governance documents

We propose over the coming year to continue to improve matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for any improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed.....

Richard Cassidy  
Chief Executive

Signed.....

Linda Haysey  
Leader of the Council