



**ANNUAL GOVERNANCE  
STATEMENT FOR THE  
FINANCIAL YEAR 2017/18**

This Annual Governance Statement covers the 2017/18 financial year and up to the date of the approval of the audited accounts.

### **SCOPE OF RESPONSIBILITY**

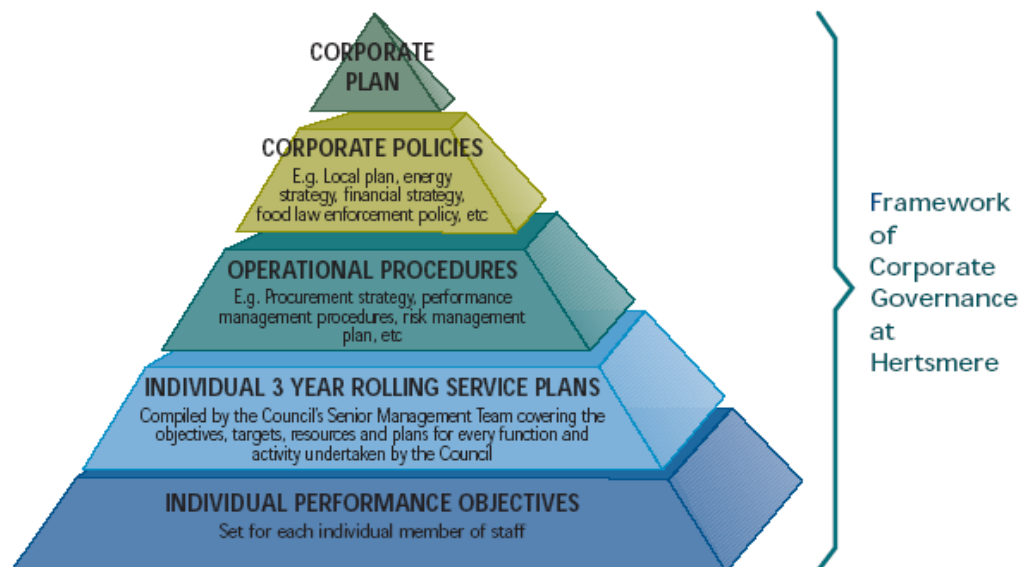
1. Hertsmere Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.
2. The Council also has a duty under the Local Government 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.
3. 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, which includes arrangements for the management of risk.
4. This Governance Statement explains how the Council has maintained sound governance during the financial year 2017/18 and also how the Council meets the requirements of regulation 6(1) of the Accounts and Audit Regulations 2015.

### **THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

5. The governance framework, which has been in place for the financial year 2017/18, comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which it accounts to, engages with and leads the community.
6. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
7. The system of internal control is a significant part of this framework and is designed to manage risk to a reasonable level. However, it cannot eliminate all risk of failure to achieve policies, aims and objectives and, therefore, can only provide reasonable and not absolute assurance of effectiveness.
8. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to manage them efficiently, effectively and economically.

## **THE GOVERNANCE FRAMEWORK**

9. The diagram below shows how the Council's plans and strategies link together. The model recognises the external influence of the Community Strategy as well as internal business planning processes:-



10. The key elements of the systems and processes that comprise the Council's governance arrangements, as per the CIPFA 'Delivering good governance in local government: Framework – Addendum' include the following:

### **General**

11. The Council has adopted the Leader and Cabinet style of political management under the Local Government Act 2000 and has a comprehensive Constitution to govern its actions and decision-making.
12. The Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to the local community. Some of these procedures are required by law, whilst others are adopted by the Council. The Constitution is reviewed annually and is available on the Council's website and intranet.
13. The Council has an approved Local Code of Governance, which sets out and describes its commitment to good governance and identifies the arrangements that have been and will continue to be made to ensure its ongoing effective implementation and application in all aspects of the Council's work. The Local Code of Governance is available on the Council's website and intranet.
14. The Council acknowledges its responsibility for internal control, and for ensuring that its systems maintain the integrity of accounting records and safeguard its assets. These systems provide reasonable assurance as to the reliability of financial information and to maintain proper control over the income, expenditure, assets and liabilities of the Council. However, no system of internal control can provide absolute assurance against material misstatement or loss.
15. The Chief Officers' Board and the Senior Management Team are aware of the financial and other procedures and controls outlined in the Constitution, and the Corporate Director and

each Head of Service is required to sign a declaration of compliance, in the form of a Management Assurance Statement, at the end of each year – this evidences, amongst other things, that their staff are aware of and consistently apply the requirements of the Constitution.

- 16. Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

**Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users / translating the vision into objectives for the authority and its partnerships**

- 17. The Council and its partner agencies in the Local Strategic Partnership (LSP) Hertsmere Together have a Sustainable Community Strategy which is underpinned by the Council's Corporate Plan. The Community Strategy was reviewed during 2017 and the revised strategy 2012-2017 was launched at the LSP in June 2017 and adopted by the Council in September 2017.
- 18. The Community Strategy and Corporate Plan ensure that the Council's strategic plans, priorities and targets are robustly developed in consultation with local communities and other key stakeholders.
- 19. The Corporate Plan and associated Performance Management Framework was reviewed during 2016/17. The high level vision, priorities and organisational values were agreed by the Council in November 2016.



- 20. The existing Corporate Plan priorities with regard to supporting our communities are closely allied to the strategic objectives in the Community Strategy to ensure an integrated approach to delivering services that meet community needs.

Local Strategic Partnership “Community Strategy” Strategic Objectives	Hertsmere Borough Council Corporate Plan High Level Priorities
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<b>Local Strategic Partnership “Community Strategy” Strategic Objectives</b>	<b>Hertsmere Borough Council Corporate Plan High Level Priorities</b>
<p>Safer Communities</p> <ul style="list-style-type: none"> <li>• To create safer environments by tackling crime, antisocial behaviour and extremism.</li> <li>• To build community confidence and increase feelings of safety empowering our communities</li> <li>• To raise awareness and take action against domestic abuse.</li> <li>• To support and protect vulnerable people affected by emerging issues , such as child sexual exploitation, modern slavery and human trafficking</li> </ul>	<p>Supporting our Communities</p> <ul style="list-style-type: none"> <li>• Work in partnership to build a safe, strong and cohesive community</li> </ul>
<p>Healthier Communities</p> <ul style="list-style-type: none"> <li>• To promote healthy weight and increase physical activity.</li> <li>• To improve mental health and emotional wellbeing.</li> <li>• To support the reduction of smoking, drug and alcohol misuse.</li> <li>• Enhance our environments and increase use of green space.</li> </ul>	<p>Supporting our Communities</p> <ul style="list-style-type: none"> <li>• Support our residents to be healthier and live longer</li> <li>• Provide opportunities to enable all the people of Hertsmere to lead fulfilling lives</li> </ul>
<p>Thriving Communities</p> <ul style="list-style-type: none"> <li>• To support and empower people to have a good start in life and age well.</li> <li>• Develop volunteering, social enterprise and business opportunities.</li> <li>• Provide accessible opportunities for skills development and financial advice.</li> <li>• Ensure a healthy standard of living for all and prevent homelessness.</li> </ul>	<p>Supporting our Communities</p> <ul style="list-style-type: none"> <li>• Provide opportunities to enable all the people of Hertsmere to lead fulfilling lives</li> </ul>

**Reviewing the Council’s vision and its implications for the Council’s governance arrangements**

21. The Council’s Corporate Plan has been subject to ongoing review and the previous vision, priorities and values were subject to review and consultation in 2016. A new approach has been agreed with a high level vision 2020 Vision as above at paragraph 19, with the key priorities and organisational values agreed at Council in November 2016. This will be supported with an Annual Corporate Action Plan and Annual Report of Performance. The Performance Management Framework has also been revised to reflect the new arrangements.
22. The Corporate Plan will always form part of the Council’s governance arrangements as, together with the Community Strategy, they fully encompass Council and community priorities for the Borough and they are used to inform other key documents such as the Council’s Medium Term Financial Strategy.
23. The Council publishes an Annual Statement of Accounts, which show its activities, achievements, financial position and performance.

**Measuring the quality of services for users, for ensuring they are delivered in accordance with the Council's objectives and for ensuring that they represent the best use of resources**

24. The Corporate Plan and Annual Action Plan provide the benchmarks for performance within the Council, and the Annual Report of Performance and Annual Statement of Accounts shows the achievements against the Plan. The Council allocates resources based on its priorities, as set out in the Plan as well as in other Policy Framework Documents and the Communications Strategy and Residents' Survey.
25. The Council has made proper arrangements for monitoring and reporting performance through the Executive Performance Management Panel and Scrutiny Committees, and has sound systems to provide management and financial information. Where performance does not meet the planned levels, the Panel may refer the matter to the Scrutiny Committee for a more in depth review.
26. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (i.e. Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.
27. The Council aims to use its resources efficiently, effectively and economically – the Constitution provides specific guidance in this.
28. The Council has entered into a number of shared service initiatives, e.g. with Hertfordshire County Council, North Herts District Council, East Herts Council, Stevenage Borough Council, Broxbourne Borough Council, Three Rivers District Council and Welwyn Hatfield Borough Council as well as the Hertfordshire Constabulary.

**Defining and documenting the roles and responsibilities of the Executive, non-Executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication**

29. The Council's Constitution sets out the roles and responsibilities of both Members and officers. It also commits the Council to provide clear leadership to the community. It aims to enhance the involvement of citizens in decision-making and make the decision-making process efficient, effective and transparent and those involved in it accountable.
30. There are regular meetings of the Council, the Executive, the Management Board, the Chief Officers' Board and the Senior Management Team.
31. In addition, there are regular meetings of the following Committees:  
  
Planning, Licensing, Operations Review, Policy Review, Personnel, Standards and Audit  
  
Each having clear terms of reference covering the business they respectively conduct.
32. There is a realistic level of delegation in place, which permits the Council's business to be conducted as effectively as possible.
33. Committee terms of reference and levels of delegation are kept under review to ensure that there is a clear demarcation of roles between the Council, Executive and various Committees, and between the Committees and officers. These boundaries are understood in order to manage reputational and uninsurable risks that are contrary to the best interests of the Council, and it is advisable to have regular training in respect of these roles.

34. The Council's Forward Plan and publication of minutes provides the Operations Review Committee and the Policy Review Committee with proposed and recently made executive decisions including key decisions, which are used to determine items for call-in or scrutiny.
35. In addition the Council has created a list of policies and strategies, which identifies the responsible officer and when the policy is due for review. This document is used by councillors wishing to raise items on the scrutiny agenda.
36. The Constitution includes roles and responsibilities of the three statutory officers, and the Chief Officers, as well as Proper Officer Functions. In addition each Head of Service has an up to date Scheme of Delegation which is reviewed annually. Roles and responsibilities of officers are further defined in the job descriptions for each post.
37. The Constitution also provides a Protocol for Member/Officer Relations and Codes of Conduct, which define the standard of behaviour that the Council requires of both Members and Officers. These also ensure that Members and Officers are not influenced by prejudice, bias or conflict of interest in their work.

**Developing, communicating and embedding Codes of Conduct, defining the standards of behaviour for Members and officers**

38. The Council's Constitution sets out:
  - Code of Conduct for Members – this includes General Provisions, Interests and the Register of Members' Interests, including Gifts and Hospitality. The Register entries are renewed annually and when Members are elected or re-elected. Members are regularly advised to keep their entries accurate and up to date. The Register is subject to review by both Management and SIAS. Members are also required to declare the existence and nature of interests at meetings and these are recorded in the minutes of the meeting.
  - Local Code of Guidance for Members and Officers involved in Planning Matters – this includes conduct of Members and officers, Procedures for Committees considering Planning Matters, Site Visits by Members and by the Planning Control Committee
  - Officers' Code of Conduct – this includes Duties, Disclosure of Information, Political Neutrality, Outside Commitments, Personal Interests, Interests of Officers in Contracts, Gifts and Hospitality, Appointment and other employment matters, Use of Financial Resources and Disciplinary Rules. Officers are regularly reminded to record any offers of gifts and hospitality.
  - Protocol on Member Officer Relations – this includes the Principles underlying Member Officer Relations, the roles of Members and Officers, the relationships between the Mayor and officers, the Leader and Members of the Cabinet and officers, the Chairmen and Members of Committees and officers, Officer relationships with Party Groups, etc.
39. Copies of the Council's Constitution are available to all on the Council's website and at Council Offices (including the Members' Room), libraries and other appropriate locations.
40. In addition, Induction Training is provided to all newly elected Members and new employees and the Council has been awarded the Elected Members' Development Charter. In a digital world, there is also an emphasis on responsible use of social media.

**Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks**

41. The Constitution and the decision-making structures (both Members and officers) are regularly reviewed to ensure that they are up-to-date, relevant, in line with good practice and fit for purpose.
42. The Constitution sets out the Council's Policy Framework which includes the following plans and policies at Article 4:
- Community Strategy
  - Corporate Plan
  - Community Safety Partnership Plan
  - Economic Development Strategy
  - Financial Strategy including the Efficiency Plan
  - Gambling Policy
  - Homeless Strategy
  - Local Development Documents which include the Local Development Framework; the Local Plan Core Strategy and Site Allocation and Development Management Development Plan Document
  - Risk Management Strategy
  - The Local Code of Governance
  - Treasury Management Strategy
  - Workforce Strategy
43. The Council has an approved Risk Management Strategy, which sets out:
- the key features of its risk management system
  - roles and responsibilities with regard to risk management
  - its overall approach to the management of risk
  - actions to embed the process in future periods
44. The Council's Risk Register is recorded on Pentana the Council's Performance and Risk management software. This includes both Strategic and Operational risks. The Risk Management Strategy provides an introduction to the risk management framework, definitions and how to identify assess and manage risks. The use of a risk matrix enables the assessment level of the risks to be readily identified.

#### **Undertaking the core functions of an Audit Committee**

45. The Audit Committee has Terms of Reference, which are included in the Council's Constitution and are regularly reviewed to ensure compliance with recognised best practice - the CIPFA publication "Audit Committees – Practical Guidance for Local Authorities and Police". Responsibilities arising from the Bribery Act were added. From April 2016, the Audit Committee became the nominated body responsible for the scrutiny of the Treasury Management function and receives a minimum of three reports per annum in accordance with the Treasury Management code of practice.
46. It is recognised that, in order to discharge these responsibilities, the Audit Committee may require any officer to attend meetings of the Committee so it may receive explanations regarding any matter that it is considering.
47. At the beginning of each financial year, the Committee establishes a Work Program, as well as a Training and Development Program. At each Committee, it receives reports from officers setting out performance against items listed in the Work Program.
48. The Audit Committee Chair presents a report on the work of the Committee to the Full Council.



**Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

49. The Council has a full range of relevant policies and procedures and places emphasis on compliance with these, as well as with the law and other external regulations. Compliance is achieved through the following mechanisms:

Members - Code of Conduct, Role Descriptions, Training and Development and Declaration of Interests

Employees - Code of Conduct, Job / Person Specification, Appraisals, Team Meetings and Training & Development

Other -

- The Constitution and other policies and procedures are available on the Council's website, intranet and as hard copy
- Officers prepare timely reports to all of the Council's decision-making bodies (including the Executive, the Audit Committee and the Chief Officers' Board) on statutory requirements and proposals regarding their implementation
- Standard report formats require officers to consider the implications of Corporate Policy, Finance, Health and Safety, Legal, Personnel and Risk Management
- Two Officer Groups, the Corporate Policy Network and the Governance Group met at least quarterly to review policy and track changes in legislation
- The work of the Council's external auditors, who report to members, officers and the Council's stakeholders if they have been required to issue a report in the public interest or exercise any other special powers of the auditor under the Local Audit and Accountability Act 2014, including applying to the court for a declaration that an item of account is contrary to law.

**Whistle-blowing and receiving and investigating complaints from the public**

50. The Council's Whistle-blowing Policy was reviewed and updated in June 2017 to ensure that staff can continue to raise concerns in confidence and without fear of retribution in relation to actual or perceived unlawful conduct, financial malpractice or dangers to the public and the environment. The Policy is available on the Council's Website and Intranet and covers malpractice or wrongdoing by:

- Any Member of the Council
- Any employee of the Council
- Any contractor, supplier, consultant or partner of the Council in the course of their work for the Council

51. The Council aims to provide high-quality services for everyone in the Hertsmere area and recognises the importance of customer feedback (ie Comments, Compliments or Complaints). The Council has approved a Customer Feedback Procedure, which is available both in leaflet form in the Civic Offices' Reception and in the Area Offices as well as on the website.

**Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by the appropriate training**

52. On taking up office, all Members are required to attend a comprehensive Members' Induction Course. The Constitution states that the Council's Standards Committee is responsible for "advising, training or arranging to train Councillors and co-opted members on matters relating to the Members' Code of Conduct".

53. The Constitution also states that “All Members appointed to the Planning Committee (and all other Members who may from time to time consider a planning application) must receive training in planning procedures. Induction training in planning procedures shall be provided to all Members, either before serving on the Committee or within two months of appointment.”
54. As stated in Para 40 above, the Council has been awarded the Elected Members’ Development Charter.
55. Senior Officers’ training needs are identified (and regularly monitored) as part of the Council’s Continuous Performance Review Scheme (appraisals). In addition to the Corporate Training Programme and various professional development courses, seminars and conferences, a variety of Management Development Courses, Project Planning and mentoring facilities have been delivered to senior managers.

**Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

56. Opinion Research Services was commissioned by the Council to undertake a survey in which the Council wished to examine residents’ views on a range of services. Overall the result was very positive for the Council, showing improvements in key areas. The chart below shows the response to key questions from each year the survey was carried out since 1999. The most recent survey was conducted in early 2018 however the results of this will not be available until April / May 2018.

	1999	2002	2005	2008	2011	2014
% Satisfaction with the area as a place to live	82	82	82	84	91	90
% Satisfaction with the way the Council is run	62	64	66	65	74	89
% Agree the Council provides value for money	45	45	39	52	61	65
% Agree treats all areas of the borough fairly	29	31	28	35	65	70

57. The Council’s official magazine “Hertsmere News” is published three times a year and delivered throughout the Borough.
58. Residents and property / business owners in the Borough are able to submit relevant questions in writing for consideration and response at Council meetings.
59. There is a facility for Council to receive petitions – should a group of residents feel strongly about an issue that relates to or affects the Council’s functions or the Council has an interest in or involvement with.
60. Meetings of the Council and the Executive are web-cast.
61. Members of the public are also able to speak at a Planning Committee on any application being considered at that meeting – by prior arrangement only.
62. The last Participatory Budgeting process was carried out in November 2016 and resulted in ongoing annual savings of £201,000, which assisted the Council in balancing the 2017/18 budget and in addressing the continuing reduction in funding from Central Government. Further annual savings of £150,000 have also now been incorporated into the revenue budget from 2018/19.

63. The Council is subject to the requirements of the Freedom of Information Act 2003 and the Local Government Transparency Code 2014, the approaches of which are to provide demand-led, open, honest, timely and transparent information to all stakeholders without compromising confidentiality.
64. The Council has established clear channels of communication with its staff, e.g. briefings from the Chief Executive, regular Directorate meetings and weekly 'All Staff' e-mails.

**Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**

65. The Council can confirm that its financial management arrangements conform to the governance requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government.

**Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the Council's overall governance arrangements**

66. The Council is committed to improving and supporting collaborative working of all kinds, although the wide range of partnership models do make it very difficult to prescribe a single set of arrangements. However, partnership working should not result in diminished accountability to the public.
67. There is a Partnership Governance Framework in place for significant partnership and the register of such partnerships and shared services is reviewed on an annual basis by the Governance Group. For the organisations which the council supports through core funding there are individual Service Level / Partnership Agreements in place and there are regular meetings with partners to monitor the performance of the work carried out by the organisation / partnership. All Service Level / Partnership Agreements are subject to an annual review with a full review carried out every three / five years ahead of any renewal of agreements.
68. The Local Strategic Partnership is the forum for all of the Council's key partners – meetings are chaired by the Leader and are supported by the Chief Executive and senior managers.

**REVIEW OF EFFECTIVENESS**

69. The Council has the responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
70. This review is informed by those Members and officers, who have the responsibility for the development and maintenance of the governance environment.
- the work of Members at Council, Executive, Overview and Scrutiny Committees, the Audit Committee, the Standards Committee and Financial Monitoring Panel
  - the work of the Corporate Governance Group
  - the annual Management Assurance Statements prepared by the Directors, Heads of Service and Senior Managers relating to internal controls, performance and risk management within their areas of activity
  - the Head of SIAS's Annual Assurance Statement and Annual Report as well as the individual audit reports
  - Reports made by the Council's External Auditors and any other review agencies and inspectorates.

## **Reviewing the effectiveness of the authority's decision-making framework**

### **71. The Council**

The full Council comprises 39 Members, who as a collective, approve the Council's annual Revenue and Capital Budgets, set the Council Tax, approve the Policy Framework and take decisions that are contrary to, or not in accordance with, the Budget or the Policy Framework. Full Council also takes a range of decisions that are reserved to it such as approving the Council's Constitution, electing or removing an Executive Leader (in Hertsmere called the Leader of the Council), establishing a number of committees to discharge the Council's regulatory, scrutiny and non- executive functions, approving an Officers Scheme of Delegations, making bye-laws or making a Scheme of Allowances for Members.

At the Annual Meeting held in June 2015, Council appointed a Leader of the Council for the four year electoral cycle (i.e. to May 2019) and noted the appointment by the Leader to the Executive of a Deputy Leader and five other portfolio-holders. At the Annual Meeting held in May 2017 Council elected a Mayor, appointed a Deputy Mayor and noted the appointment by the Leader of the Council of a Deputy Leader and five other portfolio-holders. Council also appointed members to the standing Committees in accordance with the requirements of political balance and appointed a number of members to represent the Council on a range of outside bodies for the coming municipal year.

Each Council meeting has been open to the public, who are entitled to submit a question or petition to any ordinary meeting of Council.

The Council met seven times during the last financial year - Agendas, Open Reports and Minutes are available on the Council's website.

### **72. The Executive**

The Executive comprises the Leader of the Council and six other members appointed by him, one of whom is also appointed as Deputy Leader. The Executive is responsible for developing the annual budget, for the development and implementation of Council policy, for the delivery of the Council's corporate plan priorities, for ensuring that the officers team have sufficient resources to effectively discharge all the Council's statutory and discretionary functions and for setting and monitoring service standards and service delivery performance indicators.

Each Member of the Executive has responsibility for a range of Council functions, known as a portfolio and each portfolio-holder is required to work closely with Directors and Heads of Service and develop an in-depth knowledge of their portfolio area.

The dates of all executive meeting are pre-published and all executive decisions have been taken in public apart from a small number of reports which were considered and determined after the press and public has been lawfully excluded (for example, to protect personal or commercially sensitive information or to receive confidential legal advice). Agendas, open reports and the minutes of the meetings are available on the Council's web site and all background documents can be inspected by the public for six year after the date of the decision.

The Executive are unable to take key decision that have not been published in the Forward Plan unless the general exception or urgency procedures are followed and officers are unable to implement key decisions until the five day 'call-in' period has elapsed – except for those decisions taken under urgency procedures.

The Executive met twelve times during the last municipal year – Agendas, Open Reports and Minutes are available on the Council's website.

73. The Review Committees

At the Annual Meeting in 2017, Council appointed two Review Committees. These were the Operations Review Committee and the Policy Review Committee whose role is to scrutinise the decisions and performance of the Executive and the Council as a whole, to call-in unimplemented executive decisions for re-consideration and to undertake policy development and review work. Both Committees have the power to require executive member and officers to appear before them to give account and have extensive rights of access to Council records and information to enable them to effectively discharge their functions. It is important to maintain the clear demarcation between the conduct of executive functions and the scrutiny of executive decisions as part of democratic accountability.

The Operations Review Committee has responsibility for reviewing all aspects of the Council's operational business and met ten times last year. It set and monitored its own work plan which included regular Financial and Performance Monitoring, the receipt of presentations from Executive Portfolio-holders and consideration of the annual reports of Elstree Film Studios Limited and Hertsmere Leisure Limited.

The Policy Review Committee has responsibility for keeping the Council's strategies and plans under review, for reviewing the draft budget and financial performance of the Council and for overseeing the enterprise and regeneration agenda of the Council. It met five times this year and its work plan included a review of the Council's Corporate Plan.

74. Member Panels

There has been a number of cross-party Member Panels to scrutinise the various areas of Council activity, e.g. Asset Management Panel, Financial Monitoring Panel, Leisure Panel and the Performance Management Panel.

75. The Standards Committee

The Standards Committee's Terms of Reference were amended to take account of the revised purpose of this Committee following the enactment of the Localism Act 2011. One of its functions remains the promotion and maintenance of high standards of conduct by Members and co-opted Members.

The Committee comprises five Borough Councillors and an Independent Person who regularly attends.

The Standards Committee met twice during the year as did the Initial Assessment Panel which considers whether a complaint alleging a failure by an elected or co-opted member to comply with the requirements of the Members Code of Conduct warrants investigation or other action. Agendas, supporting papers and minutes are available on the Council's website.

76. Members' and Officers' Allowances and Expenses

Members' Allowances: During 2013-14, Members Allowances were reviewed by an Independent Remuneration Panel, which was made up of three independent members who were assisted by the Democratic Services Manager. The report and recommendations of the Independent Remuneration Panel was approved by the Full Council in November 2013 for publication and these are available on the Council's website. The Panel also recommended that Members' allowances were increased for the next four years by the level of the officer's pay award and,

accordingly, Members' allowances were increased by 1.5% in 2016/17. In addition the Independent Remuneration Panel met to consider and recommend special responsibility allowances for the Chairmen of the Operations Review Committee and Policy Review Committee and these were agreed by Council. The Independent Remuneration Panel also considered the remuneration of elected Members appointed to the Board of Elstree Film Studios Limited. The actual allowances and expenses received by members in 2017/18 will be reported to full Council in July 2018 and thereafter published on the Council's web-site.

Officers' Allowances  
& Expenses:

Allowances are stipulated by individual employment contracts, whereby the Human Resources Team instructs the Payroll Team as to the payment to be made. Officers' Expenses are authorised for payment by employees' line managers and reimbursed via payroll. Senior officer pay is disclosed in the Statement of Accounts and the Pay Policy Statement. These are also published on the Council's website.

Both Members' and Officers' Allowances and Expenses are subject to periodic review by the SIAS Team to ensure that the internal controls in operation are both adequate and effective.

77. Senior Management

There are three Council officers who are statutory appointments – the Chief Executive's role as the Head of Paid Service, the Corporate Director's role as the Section 151 Officer and the Head of Legal and Democratic Services as the Monitoring Officer.

The Chief Executive and the Corporate Director comprise the Chief Officers' Board, which meets on a weekly basis.

The Chief Officers' Board, together with the Heads of Housing, Partnerships and Community Engagement, Finance and Business Services, HR & Customer Services, Street Scene, Planning and Economic Development, Engineering Services and Asset Management and Legal and Democratic Services comprise the Senior Management Team, which meets on a monthly basis. The SIAS Audit Manager also attends Senior Management Team.

Each Director, Head of Service and Senior Manager has completed and signed off a Management Assurance Statement. These Management Assurance Statements have been designed to require each officer to certify the effective operation of the control environment in their service area – including arrangements for performance management and risk management. As a consequence, these Statements are key supporting documents in identifying any significant governance issues.

From 19 April 2017, there was a change to the Council's chief officer structure. This now consists of the Chief Executive and Corporate Director; the post of Director of Environment was made redundant. This has resulted in a change in reporting lines.

78. Governance Group

The Governance Group has been chaired by the Chief Executive, in his capacity as the Council's Head of Corporate Governance.

The Group has met four times during the financial year and received reports and updates covering Ethics and Standards, New Legislation, Officer and Member Issues, Internal Control,

Counter-fraud and Corruption, Health and Safety, Partnerships and Performance Management and Risk Management, Shared Learning and other current governance matters.

The Group has co-ordinated the preparation of this Annual Governance Statement – as part of this process. The Group has also monitored the progress of the Action Plan which was put in place to address the Significant Governance Issues identified in the Annual Governance Statement (see Appendix A).

79. Performance Management

The Performance Strategy remains a key link between the Community Strategy, the Corporate Plan, Service Plans and individual Key Result Areas – “the golden thread”.

Local Performance Indicators have been regularly collected, analysed, risk managed alongside the Corporate Plan Annual Action Plan and reported to Members and senior management – the process is facilitated by a software package, Covalent.

An Executive-led Performance Management Panel, which comprises key Members and Senior Officers, has met on a quarterly basis to consider selected key performance indicators and the delivery of the Corporate Annual Action Plan where the performance is deteriorating or below target, the Panel may refer the matter to Scrutiny. The quarterly performance report has also been presented to the Executive on a quarterly basis.

The Financial Monitoring Panel has met on a monthly basis to scrutinise the Council’s financial performance (June to March). The financial performance is scrutinised in detail by the Panel and reported in summary and by exception back to the Operations Review Committee.

80. Procurement

The Council aims to use its resources efficiently, effectively and economically.

The Council has a robust set of documentation to provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes the Procurement Strategy, Contract Procedure Rules and the Procurement Handbook. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

To ensure compliance with these rules, an expenditure report is run on a six monthly basis and mapped against the contract list. An exception list is then produced and, where possible, non-compliance is highlighted. Officers are then required to provide an explanation of this non-compliance and then put into place an action plan to address this.

The Council has a full e-tendering package that provides a secure and auditable method of issuing and receiving tenders.

**Undertaking the core functions of an audit committee, as identified in the CIPFA’s ‘Audit Committees: Practical Guidance for Local Authorities**

81. The Audit Committee

The Audit Committee’s Terms of Reference have been kept under regular review to ensure that its role complies with those prescribed by the CIPFA publication “Audit Committees – Practical Guidance for Local Authorities”.

The Audit Committee has comprised five non-Executive Members (as required) and has met four times during the financial year – Agendas, Open Reports and Minutes are available on the Council's website.

It substantially completed its Planned Work Programme, regularly receiving reports from:

- The Council's External Auditors – Progress Reports, Annual Governance Report, Annual Audit Letter, Audit Plan and Certification Report on Claims and Returns
- The Shared Anti-Fraud Service – Progress Reports and Annual Report
- The SIAS Team – Progress Reports, Draft Annual Governance Statement, Annual Assurance Statement and Annual Report, and Annual Audit Plan
- The Risk Manager – Progress Reports
- The Head of Finance and Business Services – Accounting Policies, Statement of Accounts, Treasury Management.

### **Ensuring the authority's assurance arrangements conform with governance requirements**

#### **82. Internal Audit**

Internal Audit is an assurance function that provides an independent and objective opinion to the Council on its control environment – this comprises the systems of governance, internal control and risk management – by evaluating its effectiveness in achieving the organisation's objectives.

The Council joined six other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC, Welwyn Hatfield BC, Watford BC and Three Rivers DC) and Hertfordshire County Council in 2011/12 to deliver a shared internal audit service to provide efficiency and resilience.

The SIAS Team has undertaken a work programme during the financial year, which was approved by the Audit Committee, and has sought to operate in accordance with the national Public Sector Internal Audit Standards (PSIAS), which have replaced the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

In line with the PSIAS, an Annual Assurance Statement and Internal Audit Annual Report was compiled and presented to the Audit Committee (at its meeting in May 2017), which:

- included an opinion on the overall adequacy and effectiveness of the Council's internal control environment
- disclosed any qualifications to that opinion, together with any reasons for the qualification
- drew attention to any issues which are judged particularly relevant to the preparation of the Annual Governance Statement.

The Annual Assurance Statement and Internal Audit Annual Report is a key source document for the Council's Annual Governance Statement. The Head of SIAS's overall opinion on the internal control environment for 2017/18 is Substantial for Key Financial Systems and Moderate for Non-Financial Systems.

Individual SIAS Reports state whether or not there are any implications for the Annual Governance Statement. All final reports issued, except that for Business Continuity, have stated that there are no implications for the Annual Governance Statement.

All recommendations made by the SIAS Team to strengthen the internal control environment and agreed by management are kept under review by the Audit Committee and Corporate Governance Group to ensure that they are implemented in a timely manner.



The Council's External Auditors regularly review the work of the SIAS Team and, to date, have placed reliance on their work.

83. The Council's External Auditors

Following the abolition of the Audit Commission in March 2015, the Secretary of State for Communities and Local Government delegated statutory functions to Public Sector Audit Appointments Limited (PSAA), on a transitional basis, to make auditor appointments to local government, police and local NHS bodies under the Local Audit and Accountability Act 2014 until 2018/19.

Ernest and Young LLP were appointed as Hertsmere's external under these transitional arrangements from 2015/16 and remain as Hertsmere's external auditors.

Ernest & Young LLP presented their Annual Audit Letter for 2016/17 to the Audit Committee in September 2017 and their main audit conclusions for the year were:

- a) Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended;
- b) Other information published with the financial statements was consistent with the Annual Accounts;
- c) We concluded that you have put in place proper arrangements to secure value for money in your use of resources; and
- d) The Governance Statement was consistent with our understanding of the Council.

The transitional arrangements referred to above came to an end from the 2018/19 financial year, so in November 2016 the Full Council agreed that Hertsmere BC should take advantage of the new national collective scheme that the Public Sector Audit Appointments (PSAA) was developing by formally "opting in" by January 2017.

Hertsmere have since opted into the new PSAA scheme (along with 98% of Local Authorities) and on 17 August 2017 the PSAA subsequently confirmed the appointment of Ernst & Young LLP as Hertsmere's external auditors for five years from 2018/19.

This new PSAA scheme does not however include provision for the audit of the Housing Benefit Subsidy claim and Local Authorities are now responsible for their own appointment in this respect. In September 2017, it was recommended to the Audit Committee that Hertsmere also appoint Ernest & Young LLP to undertake this subsidy work along-side their other audit work due in the main to the efficiencies of appointing a single auditor. The Audit Committee considered Ernest & Young LLP's proposal and recommended their appointment by the full Council.

**Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

84. Anti-Fraud and Anti-Corruption

During 2014/15, the Council joined four other districts / boroughs (East Herts Council, North Herts DC, Stevenage BC and Broxbourne BC) and Hertfordshire County Council to form the Shared Anti-Fraud Service (SAFS), offering an exclusive strategic fraud prevention and investigation service to its partners across Hertfordshire. The new SAFS officially commenced at the Council on 1 April 2015.

The service has delivered a full range of fraud awareness training, the use of highly developed investigation skills, data-matching opportunities and partnership working with law enforcement agencies.

The aims of the Shared Anti-Fraud Service are as follows:

- Ensure ongoing effectiveness and resilience of anti-fraud arrangements across all SAFS Partners
- Deliver financial benefits in terms of cost savings or increased revenue
- Create a data hub for Hertfordshire
- Improve the reach into the areas of non-benefit and corporate fraud
- Create a recognised centre of excellence that is able to disseminate alerts and share best practice nationally.

The Audit Committee approves the comprehensive Anti-Fraud Action Plan each year. This is based on CIPFA Good Practice and progress against this is reported to Audit Committee twice a year.

**Review of effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

85. Risk Management

Responsibility and accountability for Risk Management is placed with the Heads of Service and on-going training and support was provided to assist them in this role. Risk Management support was provided by Hertfordshire County Council

The internal audit in March 2018 on the Council's risk management provided a full level of assurance to support this Annual Governance Statement.

Regular reporting to the Audit Committee on the Council's strategic risks is in place. The Council's risks are recorded on Pentana, the Council's performance and risk management software, so there is one central record of the Council's risks.

**SIGNIFICANT GOVERNANCE ISSUES**

86. Appendix A provides information on the Significant Governance Issues that were identified by the Council during the year. Significant issues from the previous year are either no longer significant or have been carried forward into 2017/18.

**CERTIFICATION**

87. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Executive, the Audit Committee and the Governance Group, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined above, and the plan to address the identified weaknesses and to ensure continuous improvement of the system is in place.

88. We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Signed: Leader of the Council** .....  
**Cllr Morris Bright** ..... **Dated**

**Signed: Chief Executive** .....  
**Dr Donald Graham** ..... **Dated**