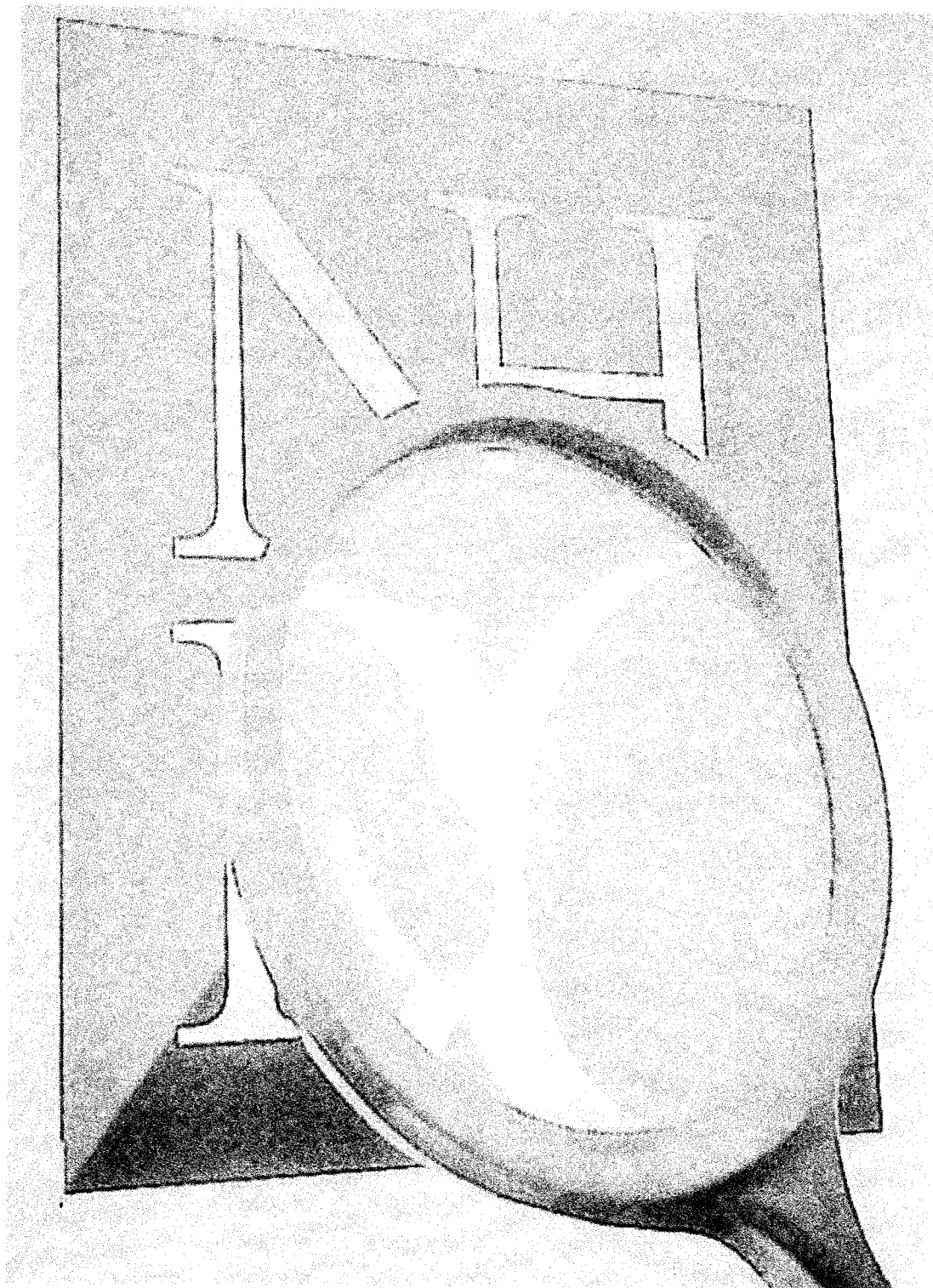
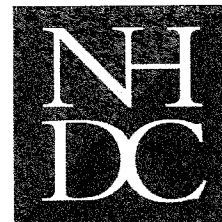


Annual Governance Statement  
2015 to 2016



September 2016

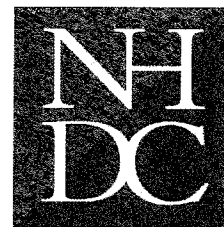


**Annual Governance Statement  
2015 to 2016**

**Contents**

**Page**

<b>1. Scope of Responsibility</b>	<b>3</b>
<b>2. The Purpose of the Governance Framework</b>	<b>3</b>
<b>3. The Key Elements of the Governance Framework</b>	<b>4</b>
<b>4. Review of Effectiveness</b>	<b>25</b>
<b>5. Significant Governance Issues</b>	<b>27</b>



**Annual Governance Statement  
2015 to 2016**

**1. Scope of Responsibility**

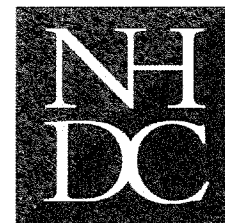
- 1.1 North Hertfordshire District Council (NHDC) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- 1.2 NHDC also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In discharging this overall responsibility, NHDC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which include arrangements for the management of risk.
- 1.4 The Council is legally required to prepare an Annual Governance Statement ('AGS') under the provision of the Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015. It should prepare this Statement in accordance with proper practices set out in the CIPFA code and CIPFA's Delivering Good Governance in Local Government: Framework.<sup>1</sup> This statement explains how NHDC has complied with these requirements
- 1.5 NHDC has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.
- 1.6 The Council reviewed its governance framework in 2014/15 and shall do so in 2016/17 following the new CIPFA "Delivering Good Governance In Local Government: Framework (2016 Edition).
- 1.7 The Local Code of Corporate Governance was reviewed in 2016 and minor amendments were made in respect of the Council's Corporate Objectives.
- 1.8 A copy of the Code is on our website at <http://www.north-herts.gov.uk> or can be obtained from the Customer Service Centre, NHDC, Gernon Road, Letchworth Garden City, Herts, SG6 3JF.

**2. The Purpose of the Governance Framework**

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

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<sup>1</sup> 2007 & Addendum December 2012



**Annual Governance Statement  
2015 to 2016**

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of NHDC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at NHDC for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

**3. The Key Elements of the Governance Framework**

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are described in Table 2.
- 3.2 Assurances provided by the Council's internal audit function that is delivered by a Shared Internal Audit Service (SIAS) are a significant source of assurance.
- 3.3 The annual risk-based audit plan contributes to the review of the Council's key internal control systems, risk management processes and corporate governance arrangements. SIAS supports the design and effectiveness of the governance framework. Each internal audit is given an assurance level. The definition of each of the assurance levels is provided below:

**Table 1 Shared Internal Audit Service – definition of assurance levels**

Level of assurance	Definition
<b>Full</b>	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
<b>Substantial</b>	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
<b>Moderate</b>	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
<b>Limited</b>	There are significant weaknesses in key control areas, which put the system objectives at risk.
<b>No</b>	Control is weak, leaving the system open to material error or abuse.



Annual Governance Statement  
2015 to 2016

Table 2: KEY ELEMENTS OF THE GOVERNANCE FRAMEWORK – HOW WE MEET OUR COMMITMENT TO GOOD GOVERNANCE SET OUT IN OUR CODE.



Signifies: Action will be taken

Principle 1. Focus on the purpose of the Council and in outcomes for the community and create and implement a vision for North Hertfordshire.	Policies & Procedures in place	Assurance received and any issues identified
<p><b>How we meet this principle</b></p> <p>The Council's Priorities were reviewed for 2015/16. Key projects are reported mid year and achievement of Priorities year end to Overview &amp; Scrutiny Committee.</p> <p>The Priorities were also reviewed by Overview &amp; Scrutiny, Cabinet and Council in 2015 and new Corporate Objectives were adopted as part of the Corporate Plan for April implementation (vision for 2016-2021).</p> <p>The Corporate Plan is supported by the five year Medium Term financial strategy.</p> <p>The Council publishes the service plans with the Corporate Plan for the District. <a href="http://www.north-herts.gov.uk/home/council-performance-and-data/corporate-objectives">http://www.north-herts.gov.uk/home/council-performance-and-data/corporate-objectives</a></p> <p>The Council's performance management system includes a corporate Data Quality Policy and uses the Covalent System to improve its performance</p>	<p><u>Corporate Plan 2016-21</u></p> <p><u>Performance Management</u></p> <p><u>Performance Indicator</u></p>	<p>Achievement of the Priorities and key projects for the District has been monitored throughout 2015/16 via the Council's Senior Management Team and via Overview &amp; Scrutiny Committee (as per the principle). The monitoring of delivery against the Priorities reviews the Council's capacity to deliver agreed projects within the agreed cost, time and resources.</p> <p>Performance targets are agreed each year through the mechanism of workshop and Cabinet approval.</p> <p>Analysis and reporting of performance for 2015/16 indicates we achieved most of our targets with the exception of:</p> <ul style="list-style-type: none"> <li>- number of Planning applications where a fee had to be refunded. The target was 0 for refunds. 2 had to be refunded, where the applications were referred to an external consultant (for a variety of reasons including current court dispute). The total fee returned was £770 (the total fee income for 2015/16 was £615,325).</li> <li>- waste management recycling (residual waste per household – target 350kg, achieved 367kg. NHDC remains, however, in top quartile for performing English districts. Percentage of household waste sent for recycling – target 61%, achieved 57.83%. Again NHDC remains in the top quartile for performance. Kg per residual waste 315kg –</li> </ul>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>management.</p> <p>The Council publishes as part of its financial statements the independent external auditor opinion on the financial statements and the value for money (VfM) conclusion which reports on whether the Council has 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. For 2014/ 15 was compiled by external auditors Grant Thornton (reported to September 2015 Finance, Audit &amp; Risk Committee). For 2015/16 it will be Ernst &amp; Young and these will be reported in September 2016.</p>	<p><u>Monitoring Report 2015/16 year end</u></p>	<p>achieved 336kg. Percentage of waste from households recycled or composted – target 63% achieved 59.77%. The slight drop reflects the national picture and is attributed to improved economic activity reflected in consumer habits. NHDC remains in the top quartile for performance for all English District local authorities, with a ranking of 9-11 out of 194.</p> <p>- number of households who had homelessness prevented (target 260, achieved 134). The number of homelessness preventions has consistently fallen largely due to challenges accessing the private rented sector, which has been the most effective prevention tool over recent years. Efforts are being made to improve access; however, the position is unlikely to change significantly in the short-term.</p> <p>The mechanism for performance review shall be considered during 2016/17 by Overview &amp; Scrutiny Committee and Cabinet.</p>
	<p><u>Audit Findings Report for NHDC 2014/15</u></p> <p><u>Audit Plan year ending 31 March 2016</u></p>	<p>The Auditors confirmed that that the Council's financial statements presented a true and fair view of the financial position, expenditure and income for the year and that the Statement had been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. They also confirmed that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources and proposed an unqualified VfM conclusion.</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>A robust Corporate business planning programme is used to assess identified projects against criteria including the Council's agreed policy, its priorities, the outcomes of public consultation, demonstration of continuous improvement and changing legislative need.</p>		<p>High level draft projects to be reviewed and agreed in the June/July Cabinet meetings each year. The proposals are reviewed by Overview &amp; Scrutiny Committee and where relevant to Finance, Audit and Risk Committee.</p>
<p>The financial elements of our Corporate Business Planning Process are set out in the Medium Term Financial Strategy (MTFS) which looks five years ahead to ensure the Council's commitment to the delivery of its Priorities (2016 going forwards, Objectives). Whilst an updated MTFS has been approved by Full Council each year (for 2017 onwards) the relevant plan for 2016/17 review has been attached. <u>Medium Term Financial Strategy NHDC page</u></p>	<p><u>Medium Term Financial Strategy 2016-2021</u></p>	<p>The MTFS will continue to take account of the current economic climate and the forthcoming changes to Local Authority funding. The Finance Audit &amp; Risk Committee and Cabinet reviews the Council's revenue, capital and treasury management activity on a quarterly basis.</p> <p>The Council's key financial systems are subject to an annual review by internal audit.</p> <p>Quarterly reviews ensure the Council has sound processes and controls over the Treasury function that minimise risks to the Council.</p>
<p>The Council has a Treasury Management Strategy that is reviewed each year and monitored quarterly.</p>	<p><u>Treasury Management Strategy</u></p>	<p>The Treasury Management Strategy 2015/16 sets the treasury management operations that are associated with the MTFS. Part of the role of the Strategy is to ensure that there is adequate cash flow to meet the Council's MTFS requirements. The 2015/16 Treasury Management report issued by SIAS in November 2015 gave substantial assurance for those areas covered by the review.</p>
<p>In 2015 Finance, Audit and Risk Committee reviewed the Information Technology Strategy for 2015-2020 which is aimed at application development to meet service needs and promote mobile working/ move towards channel shift and self-help, developing on-</p>	<p><u>IT Strategy 2015-2020</u></p>	<p>The IT Strategy provides assurance by setting out the measures to meet service requirements and provides details of the business recovery mechanisms in place.</p>



# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>line solutions.</p> <p>The Shared Internal Audit Services (SIAS) undertake and present an Annual Assurance Statement, Internal Audit Annual Report, Annual 2015/16 report on the work undertaken on assurance and other projects. Updates on progress against the Audit Plan 2015/16 are also presented to Finance, Audit and Risk Committee. This process allows review of the assurance levels provided by SIAS by Members/public, actions to be monitored and appropriate amendments to the Plan to be approved.</p>	<p><u>SIAS Annual Assurance Statement and Internal Audit Report 2015/16</u></p> <p><u>SIAS update on progress against the 2015/16 Audit Plan</u></p>	<p>Following the introduction of the Public Sector Internal Audit Standards (PSIAS) and the SIAS Audit Charter in 2013, SIAS has developed its Quality Assurance and Improvement Programme which ensures that the service has the processes to deliver robust assurance work. An update to the Charter was brought to the Committee in June 2015 with an assessment of SIAS's conformance against the PSIAS standards for 2014/15. In the North Herts Annual Report tabled at the June 2015 Committee meeting, the Head of Assurance confirms that SIAS substantially conforms to the PSIAS and considers the internal audit service to be effective.</p> <p>As at 31 March 2016, 99% of the 2015/16 Audit Plan days had been delivered. The Audit Plan progress reports presented and the summary is detailed below.</p>	<table border="1"> <thead> <tr> <th data-bbox="927 898 959 1133">Audit Title</th> <th data-bbox="927 685 959 898">Date of Issue</th> <th data-bbox="927 517 959 685">Assurance Level</th> <th data-bbox="927 219 959 517">Number of Recommendations</th> </tr> </thead> <tbody> <tr> <td data-bbox="959 898 1023 1133">Creditors</td> <td data-bbox="959 685 1023 898">December</td> <td data-bbox="959 517 1023 685">Full</td> <td data-bbox="959 219 1023 517">None</td> </tr> <tr> <td data-bbox="1023 898 1086 1133">Main Accounting</td> <td data-bbox="1023 685 1086 898">January</td> <td data-bbox="1023 517 1086 685">Full</td> <td data-bbox="1023 219 1086 517">None</td> </tr> <tr> <td data-bbox="1086 898 1150 1133">Treasury Management</td> <td data-bbox="1086 685 1150 898">November</td> <td data-bbox="1086 517 1150 685">Substantial</td> <td data-bbox="1086 219 1150 517">2 Findings (self-assessment report)</td> </tr> <tr> <td data-bbox="1150 898 1214 1133">Payroll</td> <td data-bbox="1150 685 1214 898">February</td> <td data-bbox="1150 517 1214 685">Substantial</td> <td data-bbox="1150 219 1214 517">3 Medium, 1 Merits Attention</td> </tr> <tr> <td data-bbox="1214 898 1278 1133">Elections</td> <td data-bbox="1214 685 1278 898">December</td> <td data-bbox="1214 517 1278 685">Substantial</td> <td data-bbox="1214 219 1278 517">2 Medium, 2 Merits</td> </tr> </tbody> </table>	Audit Title	Date of Issue	Assurance Level	Number of Recommendations	Creditors	December	Full	None	Main Accounting	January	Full	None	Treasury Management	November	Substantial	2 Findings (self-assessment report)	Payroll	February	Substantial	3 Medium, 1 Merits Attention	Elections	December	Substantial	2 Medium, 2 Merits
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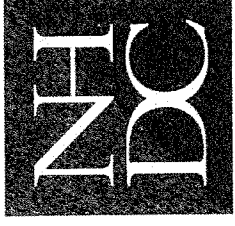
NORTH HERTFORDSHIRE  
DISTRICT COUNCIL



Annual Governance Statement  
2015 to 2016

Payroll	December	Full	Attention
Debtors	December	Full	None
Council Tax	February	Substantial	3 Medium, 3 Merits Attention
Benefits & Rent Allowances	January	Full	None
Ongoing Financial viability of contractors	November	Moderate	3 Medium, 1 Merits Attention.
Community Halls & Centres	February	Moderate	1 High, 1 Medium
Social Media	August	Substantial	1 Medium, 1 Merits Attention.
Insurance	June	Substantial	1 Merits Attention.
S106 payments	August	Substantial	2 Medium, 1 Merits Attention.
Neighbourhood Plans	March	Substantial	1 Medium, 5 Merits Attention.

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

Procurement Cards	July	Substantial	2 Merits Attention.			
Non Domestic Rates	March	Substantial	2 Medium, 1 Merits Attention			
Careline	April	Substantial	1 Medium, 2 Merits Attention			
Use of Agency Staff	April	Substantial	2 Medium, 1 Merits Attention			
Cemeteries	May	Substantial	1 Medium, 1 Merits Attention			
Profit Share Arrangements	May	Full	None			
Officer & Member Expenses	May	Substantial	3 Medium			
DCO Refurbishment Project	May	Substantial	2 Medium, 2 Merits Attention			
<p>A further report will be presented to FAR Committee in September 2016, detailing an audit on safer staffing. There will be opportunities for further development and action on this issue following a Limited Assurance level.</p> <p>In addition, the Council has a number of areas examined by SIAS</p>						

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

		<p>through consultancy arrangements. Whilst no assurance levels are provided through this mechanism, issues are identified, recommendations made and action taken by management to improve control arrangements in the future as appropriate. During this year SIAS examined the accounts for King George's Playing Field; assessed compliance with the conditions of Repair &amp; renew grants in order to support the release of grant funding and shared learning including benchmarking of risk management arrangements.</p> <p>Safeguarding audits are also undertaken externally by other auditors on behalf of SIAS or independently (for example one was undertaken on Child Sexual Exploitation and this will be follow up by Herts Safeguarding Board).</p>
<p><b>Principle 2: Work to achieve the agreed objectives within clearly defined Member and Officer roles.</b></p>		
<p><b>How we meet this principle</b></p>	<p><b>Policies &amp; Procedures in place</b></p>	<p><b>Assurance received and any issues identified</b></p>
<p>The Council's Constitution includes a scheme of delegation and terms of reference for each of the Council's committees. Responsibilities are recorded to make clear how the executive and non-executive functions operate within the Council. The Constitution reflects the legislative arrangements for defining executive and non-executive functions.</p>	<p><u>Constitution</u></p>	<p>The Monitoring Officer has processes for review of legislative changes which feed into the annual review of the Constitution. Consultation meetings and other forms of communication between the Monitoring Officer and senior managers, the Leader and Members as appropriate, ensures that managers and Members can contribute to revisions of the scheme of delegation and terms of reference.</p> <p>The annual review of the Council's Constitution is discussed with the Leader of the Council and opposition group leaders and other member forums (as appropriate) and is formally agreed by Council. The Monitoring Officer retains overall responsibility for keeping the Constitution under review. The Constitution was reviewed in 2015 and</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>The Scheme of Delegation defines the general power to act granted to the Chief Executive and Strategic Directors within the areas of their service responsibility.</p>		<p>again on 14 July 2016 by Council. Amendments were approved to take into account any required changes (legislative and/or operational).</p>
<p>The Council has a statutory responsibility to have a Section 151 Officer and a Monitoring Officer. The Strategic Director of Finance, Policy and Governance is the Section 151 Officer (Chief Finance Officer (CFO)). The Monitoring Officer is the Corporate Manager of Legal Services.</p>	<p><u>Constitution - Section 14</u></p>	<p>A review was undertaken in 2015 as part of the 2015/16 Constitution Review and a more substantive review will follow any restructure of the senior management team.</p>
	<p><u>Organisation - Structure Chart</u></p>	<p>The CFO has a duty to the Council's taxpayers to ensure that public money is being appropriately spent and managed. The CFO reports directly to the Chief Executive. The CFO ensures that appropriate advice is given on all financial matters, is responsible for keeping proper financial records and accounts and for maintaining an effective system of internal control.</p> <p>The Council's financial management arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and The Role of the Chief Financial Officer in Local Government (2016) which supplements this.</p> <p>The Monitoring Officer acts as guardian of the Council's Constitution to ensure lawfulness, probity and fairness of Council decision making.</p>
<p>There is an agreed Protocol on Member/Officer working arrangements.</p>	<p><u>Constitution - Section 18</u></p>	<p>A constructive working relationship largely exists between elected Members and Officers. A complaint against one of the elected Members was upheld in February 2016, which included a finding of breaching the Code of Conduct for failing to follow the Member/ Officer Protocol.</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>The Council's Overview &amp; Scrutiny Committee sets an agreed work programme for a number of Task and Finish Groups and reviews. These supplement scheduled meetings and ensure further Member scrutiny and analysis of how the Council utilises its resources. The Overview &amp; Scrutiny Committee, having reviewed policy recommendations and completed task and finish reviews, can make recommendations to Cabinet which reflect their findings in order to further inform the decision making process.</p>	<p><u>Overview &amp; Scrutiny Committee</u>  <u>Constitution - Section 6</u></p>	<p>The Overview &amp; Scrutiny Committee publishes an annual report. The effectiveness of task and finish groups and the protocol has been reviewed in 2015/16 with a view to improved Overview &amp; Scrutiny outcomes.</p>
<p><b>Principle 3: Promotes values for the Council and demonstrates the values of good governance through upholding high standards of conduct and behaviour</b></p>		
<p><b>How we meet this principle</b></p>		
<p>The Standards Committee promotes and maintains high standards of conduct.</p>	<p><u>Policies &amp; Procedures in place</u>  <u>Constitution - Section 7</u></p>	<p><b>Assurance received and any issues identified</b>  The Standards Committee/ Sub-Committee, Monitoring Officer and Independent Person(s) oversee the number and types of complaints dealt with through the section 28 Localism Act 2011 complaint handling arrangements. Following receipt of a number of complaints during 2015 the arrangements will be reviewed to ensure effectiveness.</p>
<p>The Council operates Codes of Conduct for Members and Employees, maintaining arrangements for reporting and investigating any allegations of breaching those Codes.</p>	<p><u>Constitution - Section 17</u>  <u>Complaining about a</u></p>	<p>In respect of the Member Code of Conduct: records of advice on Member Code of Conduct issues are kept by the Monitoring Officer. Complaints are considered and handled in accordance with the adopted section 28 Localism Act 2011 arrangements.  With regard to complaints against District and Parish Councillors the overall level has remained static, with one referred to Standards Sub-</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

	<p><u>Councillor</u></p>	<p>Committee following an external independent investigation. The remainder have been investigated and either not upheld or resolved through informal mechanisms.</p> <p>Complaints concerning employees are dealt with according to the Managing Misconduct Policy, and/or Employment Procedure rules for staff (which for relevant officers will also potentially involve the Independent Person/ Employment Committee and Full Council). Training is provided to Members on the Code of Conduct post election and shall be made available to the wider membership on during 2016/17 on the Code and other related governance issues/ policies.</p>
<p>A Planning Code of Conduct is in place and is adhered to by Members who sit on the Planning Committee. This is set out in part 8 of the Constitution.</p>	<p><u>Constitution - Section 8</u></p>	<p>The Planning Code of Good Practice was reviewed and updated in 2015 and a new Code was adopted. This was considered by Standards Committee in March 2016 and it will be reviewed by Standards Committee again in 2016/17 once the new Code has been in place for at least one year.</p>
<p>The Council maintains records of the interests of Members (and Parish Councillors) and senior employees. The Member's interests are retained by the Monitoring Officer and are published as part of the Localism Act 2011. Employee interests are retained by HR.</p>	<p><u>Councillors' Declaration of Interests</u></p>	<p>Declaring interests under the Code of Conduct is a standing item on the agenda at every Council meeting and declarations are minuted by the clerk (and this is part of the template for delegated decision making also). A legal adviser attends all Council, Cabinet, Planning and Licensing Committee meetings to advise on Code and other issues where this is requested or otherwise considered appropriate. A legal advisor will review delegated decisions prior to these being published.</p> <p>Following the SIAS audit review of Community Halls &amp; Centres it was recommended that further guidance was issued by the Monitoring Officer to Members on outside bodies in 2016. A Full and summary 'Guidance for Members on Outside Bodies' was prepared and circulated to Members by the Deputy Monitoring Officer. It is available to</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>Members and Employees should comply with a Gifts &amp; Hospitality Protocol and Policy respectively.</p> <p>The Council maintains electronic Registers for Employee Gifts &amp; Hospitality for each directorate and Member's declarations are retained by the Monitoring Officer.</p>	<p><u>Employee Gifts and Hospitality Policy</u></p> <p><u>NHDC Members Protocol for Gifts &amp; Hospitality</u></p>	<p>Members via the intranet.</p> <p>The Employee Gifts &amp; Hospitality Policy and the NHDC Member Gifts &amp; Hospitality Protocol were reviewed and updated in 2015. Electronic forms and registers were introduced. Both Employees and Member registers of gifts &amp; hospitality can be called in by the Monitoring Officer or requested and may be viewed by the public under information access regimes.</p>
<p>The Council has an Employee Conflicts of Interests Policy and employees are obliged to declare personal conflicts under the Policy.</p> <p>There is also Guidance on "Managing Organisational Conflicts in Council Roles and Duties."</p> <p>Members are obliged to declare interests under the Code of Conduct and the Organisational Conflicts Guidance also applies to the roles they undertake that may conflict.</p>	<p><u>Conflicts of Interest Policy</u></p> <p><u>Managing Organisational Conflicts Guidance</u></p>	<p>The Employee Conflicts of Interest Policy was reviewed and updated in 2015 and additionally new Guidance was produced to cover Conflicts in Council Roles and Duties. Training was provided to Senior Management Group on the Guidance in 2016 on the potential actions that can be taken in such organisational conflict situations.</p> <p>Heads of Service/ Corporate Managers are obliged to include any details of organisational conflicts in their service plan assurance statement.</p> <p>In addition to conflicts of interest forms, Senior Management are now also required to declare any related party transactions.</p>
<p>The Council operates a "zero tolerance" approach to any type of fraud or corruption perpetrated against the Authority. The Council maintains robust arrangements for dealing with any issues that are discovered.</p>	<p><u>Anti Fraud &amp; Corruption Policy</u></p>	<p>Having considered all the principles, the Council is satisfied that it has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. A Shared Anti Fraud Service (SAFS) has been operational from April 2015. SAFS</p>



# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>The Council has various policies and procedures that supplement/ are part of the anti-fraud and corruption arrangements. These include an Anti-Money Laundering Policy and Anti-Bribery Policy.</p>	<p><u>Appendix 3 - Proposed SAFS Anti-Fraud Action Plan 2016/17</u></p>	<p>present reports and an action plan to Finance, Audit and Risk Committee. They report the types of fraud, outcomes of closed cases/ ongoing investigations. To the end of March 2016, NHDC fraud losses of £43,000 had been identified and further savings of £69,000.</p> <p>The Anti-Bribery Policy and procedures were reviewed and updated in 2015/16 and a revised Policy has been adopted. The Council has introduced an e-learning anti-bribery module for employees and Members; it has also supplemented awareness through an annual declaration letter for employees linked to the appraisal regime. SAFS has also identified further training for employees (October 2016) and Members (March 2017) as part of its 2016/17 Plan. Training and the declarations will be monitored in 2016/17.</p>
<p>The Council operates arrangements to enable those that work for the Council (employees, agency staff and trainees) as well as Members to report wrongdoing or potential wrongdoing.</p>	<p><u>Confidential Reporting (Whistleblowing Policy)</u></p>	<p>One complaint was received in the 2015/16 period and the assessment found that there was no evidence to demonstrate breach of Policy or legislation. There was one recommendation that it would be desirable for the employee (who had been the subject of the concern) to provide an updated conflicts of interest form and this was actioned through the line manager.</p> <p>Receipt of the whistleblowing concern allowed relevant parties to review the procedures and this assisted with the review and update of the Policy. The amended Policy was subsequently considered by Finance, Audit &amp; Risk Committee and approved by Cabinet in March 2016. This, and updated Advice to Managers on handling a whistleblowing incident, was made available to staff. A new confidential reporting form has also been introduced to monitor concerns and outcomes, with a final copy of this form to be retained by the Monitoring Officer.</p>



Annual Governance Statement  
2015 to 2016

<p>The Council encourages feedback from service users whether good or bad. The Council has a policy for handling complaints.</p> <p>Details of the 3 C's are reported to the Overview &amp; Scrutiny Committee.</p>	<p><u>Comments, Compliments and Complaints</u></p> <p><u>Comments, Compliments and Complaints (3cs) full year update report - 1 April 2015 to 31 March 2016</u></p>	<p>The 3 C's Policy was reviewed in 2015.</p> <p>There were 12 complaints made to the Local Government Ombudsman during 2015/16. None were upheld.</p>
<p>SIAS undertake a review of the effectiveness of the main governance Committee - Finance, Audit and Risk.</p>	<p><u>The effectiveness of the Finance, Audit &amp; Risk Committee</u></p>	<p>The 2014/15 report confirmed that the Committee was operating effectively, with recommended actions for Members to gain a deeper understanding of the SIAS methodology (presentation provided in June 2015) and consideration of further enquiry on specific training requirements. A further report was presented on 13 June 2016. A number of recommendations were made and approved by the Committee for 2016/17:</p> <ul style="list-style-type: none"> <li>- An induction programme is provided to all new Members<sup>2</sup>;</li> <li>- All Members of Finance, Audit &amp; Risk Committee are asked to complete the skills self-assessment to identify areas of strength and training needs; and</li> <li>- A training programme is delivered to satisfy any training needs identified.</li> </ul>

**Principle 4. Take informed and transparent decisions which are subject to effective scrutiny and risk**

<sup>2</sup> NB next due following 2018 District elections

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

How we meet this principle	Policies & Procedures in place	Assurance received and any issues identified
<p>The Council makes all Council and committee agendas, meeting papers and minutes, relevant executive and non-executive decision, and now audio recordings available on its website.</p>	<p><u>Protocol for Recording of Council Meetings</u></p>	<p>Following a review of the Council's procedures, Cabinet approved a Protocol for Recording of Council meetings, recording of all meetings that would be accessible to the press and public under the Local Government Act 1972 and relevant Regulations.<sup>3</sup></p>
<p>The Council aims to comply with the Local Government Transparency Codes 2014 and 2015.</p>	<p><u>Open data</u></p>	<p>The Council reviewed its practices and is now fully compliant with the requirement to publish the data required by the Transparency Code.</p>
<p>Underpinning the Council's financial management arrangements is a regulatory framework comprising Financial Regulations, Contract Procurement Rules, annual audits of key financial systems, audits of other systems undertaken on a risk-based basis and the role of the statutory Section 151 (Chief Finance) officer.</p>	<p><u>Constitution - Part B - Financial Regulations</u>  <u>Constitution - Part B - Contract Procurement Rules</u></p>	<p>The Financial Regulations were reviewed and approved by Full Council on 12 February 2015. Minor amendments were approved following the Constitution reviews in July 2015 and July 2016.</p> <p>No section 114 1988 Act reports have been issued during 2015/16.</p> <p>The Contract Procurement Rules were reviewed, amended and approved by Full Council on 16 July 2015, with some further Public Services (Social Value) Act 2012 changes being approved by Cabinet on 28 July 2015 (updated by the Monitoring Officer under delegated powers). These will be reviewed again in 2016/17 to ensure they reflect the up to date legislative requirements (anticipated that this will be presented to November Council following Finance, Audit &amp; Risk Committee consideration).</p>
<p>The Chief Finance Officer must, under section 113 of the Local Government Finance Act 1988, be a Member of a specified accountancy body. The statutory role must be performed by an "Officer" of the Council. The Chief Finance Officer has a duty under section 114 of the 1988 Act to consult with the Head of Paid Service and Monitoring Officer on any unlawful expenditure and/or an unbalanced Budget, and to report this to all Members.</p>		<p>For the 2015/16 reviews, SIAS gave Full assurance to the Council's Creditors, Main Accounting System, Debtors, and Benefits &amp; Rent Allowances systems, Profit Share Arrangements and Substantial</p>

<sup>3</sup> Cabinet on 28 July 2015.



Annual Governance Statement  
2015 to 2016

<p>The Finance, Audit and Risk Committee meets 5 times per year and provides on-going monitoring and review of financial management. The Committee's terms of reference/ remit are set out in section 10 of the Constitution.</p>	<p><u>Finance Audit and Risk Committee Minutes</u> <u>Constitution - Section 10</u></p>	<p>assurance for Treasury Management, Payroll, Elections Payroll, Council Tax, Insurance, social media, s106 payments, Neighbourhood Plans, Procurement cards, non domestic rates, Careline, use of Agency staff, Cemeteries, Officer &amp; Member expenses and the DCO refurbishment project.</p> <p>The terms of reference were reviewed and amended in July 2015 by Council, as part of the Constitution Review.</p>
<p>A register of Council contracts is published on the Council's website.</p> <p>In addition the Council now publishes all spend data (which exceeds the requirement to publish spend for £500 and above) and does so on a monthly basis.</p>	<p><u>Contracts Register</u> <u>Spend data</u></p>	<p>The Council commissioned the East of England LGA (EELGA) to undertake a review of our procurement and commissioning activities. Most of these have been implemented, with outstanding actions as reported to the Finance, Audit &amp; Risk Committee in March 2016 of the Procurement Strategy; contracts risk matrix and the implementation of Core/ Non-Core procurement. Core / non- core has now been implemented with Guidance to be produced in the form of a risk matrix and contract management guide. The Council will continue to implement the outstanding agreed recommendations from this review in 2016/17.</p>
<p>The Council has a Risk and Opportunities Management Policy and Strategy in addition to the Risk Management Group.</p>	<p><u>Risk &amp; Opportunities Management Policy</u></p>	<p>Monitoring is provided by the Finance, Audit &amp; Risk Committee and if necessary referrals are made to Cabinet. An annual report is presented to Full Council.</p>
<p>The Performance and Risk Management Team is</p>		<p>The Policy was reviewed in 2014 and the Strategy in December 2015</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>responsible for managing the NHDC Project Management Framework and offers support and guidance relating to its application and use. The Performance and Risk Management Team offers support to Project Managers relating to the completion of Project Risk Logs and Benefits Review Plans. Outcomes and lessons learnt are collated by the Team.</p> <p>The key risks that could threaten the delivery of services and the achievement of our Priorities are actively managed.</p>	<p><u>Risk &amp; Opportunities Management Strategy</u> 2015/18</p>	<p>and it will be reviewed triennially (Policy next due in 2017) unless there are significant changes that require the documents to be updated in the interim.</p> <p>An internal Officer group reviews the risk management framework. This is attended by the Council's risk management "champions" (Head of Finance, Performance &amp; Asset Management and Executive Member for Finance and IT).</p> <p>An internal audit on risk management in 2014/15 gave a Full level of assurance.</p> <p>Relevant Officers in Finance, Performance &amp; Asset Management explored shared insurance support service in 2016 and those arrangements are now in place.</p>
<p>The Monitoring Officer, after consulting with the Chief Executive and section 151 Officer, has statutory duty/powers to report to Council or Cabinet in relation to any function, any proposal, decision or omission that he/she considers would give rise to unlawfulness or any decision or omission that has given rise to maladministration. Such a (section 5) report will have the effect of stopping implementation of the decision until the report has been considered.</p>	<p><u>Monitoring Officer role</u></p>	<p>No such report has been issued. The approach of the Monitoring Officer is to seek to resolve any potential issue in advance, including by ensuring relevant legal and governance advice is included within Committee reports (and delegated decision records), so that use of the statutory power would be as a last resort.</p>
<p>The Council's Overview &amp; Scrutiny Committee reviews policy, decisions and completes task and finish reviews. It can make recommendations to Cabinet which reflect its findings to further inform the decision making process. The Committee's terms of reference/ remit are set out in section 6 of the</p>	<p><u>Overview &amp; Scrutiny Committee</u> <u>Constitution - Section 6</u></p>	<p>Further challenge is provided by Members through meetings with the Executive Members with Portfolio, comments received through any relevant consultation with Area Committees and Member workshops.</p> <p>Quarterly monitoring meetings are held with the Head of Assurance from SIAS, the Council's Strategic Director of Finance, Policy and</p>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>Constitution.</p> <p>The public are encouraged to engage in the work of the Overview &amp; Scrutiny Committee and the Committee meetings dates, and agenda, are publicised.</p>		<p>Governance (Section 151 Officer) and Head of Finance, Performance &amp; Asset Management to ensure a high standard of internal audit support is maintained. In addition there are regular meetings between the Audit Manager and Head of Finance, Performance &amp; Asset Management. The audit plan was reviewed after six and nine months to identify any amendments needed to reflect changing priorities, emerging risks or resourcing changes. Amendments are made in the first six months of a financial year only if significant changes occur to one of these factors.</p>
<p>Scrutiny is provided at Officer level through the Senior Management Team.</p> <p>SIAS also audit/ review areas and produce an annual report (see above). SIAS supports the design and effectiveness of the governance framework.</p>		
<p><b>Principle 5: Develop the capacity and capability of members and officers to be effective</b></p>		
<p><b>How we meet this principle</b></p> <p>The Council's Regular Performance Review ('RPR' Appraisals) Process not only identifies progress and performance, but also skills gaps to enable the individual and the Council to achieve NHDC objectives. Any identified gaps are then addressed through an individual's personal development plan. Personal development and delivery against agreed personal objectives are monitored through agreed six monthly RPR reviews.</p>	<p><b>Policies &amp; Procedures in place</b></p> <p><u>Meetings of Joint Staff Consultative Committee</u></p>	<p><b>Assurance received and any issues identified</b></p> <p>This process ensures that the Council continually has in post individuals equipped to carry out their functions with due regard to law, policy and regulation. The RPR system is currently under review.</p> <p>The Council was reassessed for the Investors in People Standard in 2014 and reviewed its appraisals process. A new RPR Policy was approved in 2016. This is conducted against a flexible competency framework (for Technical, Staff Behavioural and Manager competencies).</p>



# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

<p>The Council's People Strategy incorporates the Workforce Development Plan.</p> <p>The Council operates a vacancy management process which provides a corporate overview of vacancy management and to ensure compliance with proper recruitment practices</p> <p>The Council has a Corporate Equality Strategy to ensure we treat everyone fairly &amp; equally. The Council is committed to equality of opportunity in employment and aims to have a workforce that is representative of the community that it serves.</p> <p>The Council fully supports the development of Members and the budget for member training has been delegated to each of the political groups. Members are encouraged to have personal development programmes. They can access the Learning Management System and Member training is provided by Officers or external parties as required.</p>	<p><u>People Strategy 2015-2020</u></p> <p><u>Workforce profile</u></p> <p><u>Corporate Equality Strategy</u></p>	<p>The Council has a Top Risk relating to Workforce Planning which identifies the risks from the Council's ability to recruit &amp; retain staff that have the skills and experience needed. The People Strategy was updated to cover 2015 to 2020. A review of vacancy control has been undertaken during 2015/16.</p> <p>The People Strategy progress is monitored at quarterly Joint Staff Consultative Committee ('JSCC') meetings. Mitigations measures to address this include, for example: monitoring turnover rates; job evaluation; employee benefits; secondment opportunities; mentoring; management development; leadership development; apprentice scheme; career development; and home working.</p> <p>The Council reports on a number of performance indicators to the JSCC on the workforce profile of our staff.</p> <p>The Corporate Equality Strategy will be reviewed by December 2016.</p> <p>Following the election in May 2018, new Councillors will be provided with development opportunities to support them in their role (as part of the induction process).</p>
<p><b>Principle 6: Engage with local people and other stakeholders to ensure robust public accountability</b></p>		
<p><b>How we meet this principle</b></p>		
<p>The Overview &amp; Scrutiny Committee provides this, as indicated above. Public engagement is encouraged.</p> <p>The Council has a Corporate business planning</p>	<p><u>Policies &amp; Procedures in place</u></p> <p><u>Annual Report of Overview &amp; Scrutiny Committee</u></p>	<p><b>Assurance received and any issues identified</b></p> <p>The Overview &amp; Scrutiny Committee publishes an annual report as both evidence of its activities and its contribution to the Council's policy making process.</p>





Annual Governance Statement  
2015 to 2016

<p>process as outlined above, that includes an annual timetable of formal consultation events, ensuring our statutory, voluntary, community parish and town council, and business partners have the opportunity to comment on budget proposals (both investments and efficiencies) under consideration.</p> <p>The Council has a Customer Service Strategy that aims to put people first.</p> <p>The Council complies with legislation arising from the Freedom of Information Act and Environmental Information Regulations. Proper control and security is exercised over personal data entrusted to the Council.</p> <p>The Council communicates the district vision and achievements against its Objectives (as outlined above). This is provided via a quarterly publication, 'Outlook' that is delivered to the homes of its residents. The 'Council Tax Information' leaflet gives further information on our performance, expenditure and efficiencies and is posted on the Council's website. For the autumn of 2016, 'Outlook' will contain a Council review of the 2015/16 financial year summarising key achievements against the priorities with details of expenditure.</p> <p>Use of social media sites and a text alerts service</p>	<p><u>2015/16</u></p> <p><u>Full Version of Customer Service Strategy</u></p> <p><u>Freedom of Information overview</u></p> <p><u>Data Protection Statement</u></p> <p><u>Outlook Magazine</u></p> <p><u>Your Council Tax bill</u></p>	<p>Views on readership and the look of Outlook are obtained when the District Wide Survey is undertaken.</p> <p>The Grants Policy was reviewed during 2016 and the formal review approved by Cabinet on 14 June 2016. It will be implemented during 2016/17 with a view to further work being identified and undertaken during 2016/17.<sup>4</sup></p> <p>The Council has a Consultation Strategy and this was reviewed and updated in 2015.</p> <p>SIAS undertook a review of Data Protection and FOI as part of the 14/15 Audit Plan. This was given a moderate level of assurance with 1 High and 9 medium recommendations for implementation in July 2015:</p> <ul style="list-style-type: none"> <li>- Data sharing agreements are now in place for all known agreements</li> <li>- with some ongoing work for others that the ICT/DPA officers were made aware of to ensure the agreements are in place.</li> </ul> <p>The ICT/ DPA have a rolling identification system to identify the necessity for such agreements.</p> <ul style="list-style-type: none"> <li>- Data sharing agreements now reflect the ICO Code of Data Sharing Practice.</li> <li>- Data sharing agreements are now reviewed annually to comply with the ICO's guidance of 'regular reviews'.</li> <li>- Service managers are to be and are reminded that they need to liaise with ICT/DPA before entering into any data sharing arrangement.</li> </ul> <p>Further/ updated FOI training has been made available through the Learning Management System for employees.</p>
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<sup>4</sup> See for resolutions: <http://web.north-herts.gov.uk/aksnherts/users/public/admin/kab12.pl?cmte=CAB&meet=97&arc=71>

# NORTH HERTFORDSHIRE DISTRICT COUNCIL



## Annual Governance Statement 2015 to 2016

have been introduced to widen the range of communication methods with local residents.

SIAS also undertook an audit of Neighbourhood Plans during 2015/16 and this was given a Substantial assurance. The 1 Medium and 5 Merits Attention recommendations have been progressed by the relevant Officer(s) in Development & Building Control and Strategic Planning & Enterprise, with the Medium and 3 of the 5 Merits Attention being completed (the remainder awaiting relevant Regulations).

SIAS conducted a review of Social Media and this was given a Substantial assurance for 2015/16. The Media audit recommendation detailed in the Cultural Services Assurance Statement (a Merits Attention) has been given consideration. Namely: including "social media targets and additional metrics". NHDC has introduced message tagging as an additional way of capturing useful information about social media interactions with the Council and this information has been included on quarterly social media performance reports presented to the Senior Management Team. It is felt currently that the level of analytics information that Hootsuite (NHDC social media monitoring software) provides is sufficient for the Council's requirements, with useful performance information and that it would not be cost effective to introduce further metrics outside of Hootsuite's capabilities at this time.

\*Definition of assurance levels given in Table 1



Signifies: Action will be taken.

**Annual Governance Statement  
2015 to 2016**

**4. Review of Effectiveness  
Annual review**

- 4.1 North Hertfordshire District Council has responsibility for conducting an annual review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Assurance for SIAS' annual report and also by comments made by the external auditors and, where relevant, other review agencies and inspectorates.
- 4.2 Areas where the Council's Governance Framework can be improved have been identified in Section 3, Table 2 (third column).
- 4.3 The Senior Management Team, chaired by the Chief Executive, reviews the Council's governance framework and control environment and has responsibility for the preparation of this AGS.
- 4.4 Each Head of Service and Corporate Manager is responsible for producing their own assurance statements and developing an improvement action plan to rectify any identified governance weaknesses within their service areas. The Chairman of the Finance, Audit & Risk Committee has prepared and signed an assurance statement for the Committee as part of the overall assurance framework supporting the AGS. The Monitoring Officer reviews all of these documents. The Finance, Audit & Risk Committee members have been informed of progress on producing this AGS Statement and will review it and evaluate the robustness of the underlying assurance statements and evidence.
- 4.5 The Finance, Audit & Risk Committee has reviewed progress against the AGS 2014/15 action plan that was implemented.

**Complaints:**

- 4.6 The Council reviews and acts on justified complaints made through its 3 C's Policy (Comments, Complaints and Compliments procedures). There has been no finding of maladministration against the Council by the Local Government Ombudsman during 2015/16.

**Risks**

- 4.7 The top (score of 9) risks for the Council<sup>5</sup> as at (29 April 2016) are: Managing the Council's Finances; North Hertfordshire Museum and Hitchin Town Hall project; the Local Plan; Sale of waste materials and increased Homelessness and use of Bed & Breakfast (B&B) accommodation.

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<sup>5</sup> Source: Covalent system.

**Annual Governance Statement  
2015 to 2016**

- 4.8 Management of the Council's Finances is a top risk, although the MTFs, budgets and capital programme are noted as soundly based and designed to deliver its strategic objectives.
- 4.9 The North Hertfordshire Museum/ Community Facility is identified as a top risk and the aim is to provide a fully accessible new museum in the near future. The facility is being opened in three stages, with stage one – hire of the Mountford Hall and Lucas Room - already operational. The Development Agreement with Hitchin Town Hall Ltd is an area of dispute and future ownership of the former site of 14/15 Brand Street is still to be resolved. The project is now concluding although associated actions may arise during 2016/17. Access issues are to be resolved as soon as possible. SIAS will undertake a review of the project once completed (deferred from the 2015/16 Audit Action Plan<sup>6</sup>). Overview & Scrutiny Committee have also identified a review of the project once concluded.
- 4.10 Ensuring the Council has an up to date Local Plan remains a top risk. Historically an internal Audit on LDF consultation process was undertaken in 2014; a Local Plan Preferred Options consultation was published December 2014 and concluded in February 2015. During 2015/16 A Strategic Housing Market Assessment and employment provisions study was completed with Stevenage Borough Council/ Central Bedfordshire respectively in June 2015 and the Statement of Community Involvement updated and approved September 2015. A further Housing Market Areas assessment was completed for Luton, Central Bedfordshire and other neighbouring authorities in December 2015 and the Local Development Scheme updated and approved January 2016. A Local Plan Project Board was set up to provide strategic guidance and oversee the delivery of the Local Plan. The Pre-Submission draft of the Local Plan was presented to Full Council on 20 July 2016 and officers have been instructed to finalise the proposed submission documents for formal approval by Cabinet in September 2016. This will be followed by further public consultation, with the intention to submit the Local Plan to the Secretary of State for examination in March 2017.
- 4.11 A wholly owned Local Authority company, Broste Rivers LA7 Limited, has been established with 6 other Hertfordshire local authorities for the delivery of their building control services. Legal documentation including Shareholder and Service Agreements have been signed and sealed by each of the authorities. Employees transferred into the new company of 15 August 2016. Work is continuing to implement a single IT system, which when on-line will enable staff to move into one of the two hubs (Hertsmere Borough Council and Welwyn Hatfield District Council). Governance arrangements are in place with the Council having a Shareholder representative and a place on the Board of Directors.
- 4.12 Sale of waste (recycling) materials has been identified as a top risk and the current co-mingling contractual arrangements are under review as well as procurement of the new Waste Management Contract and arrangements during 2016/17. A Major public

<sup>6</sup> FAR Committee SIAS Audit Plan update report 23rd March 2016.



**Annual Governance Statement  
2015 to 2016**

campaign commenced October 2015 to improve the quality of recylates and minimising avoidable landfill charges.

- 4.13 Homelessness and use of Bed and Breakfast accommodation has been an ongoing risk. The Council has undertaken a review of all homeless households accommodated to establish whether an ongoing accommodation duty exists and if so, the best way to manage this. Social housing has been ring-fenced for homeless households in each weekly vacancy cycle and the Council has entered into an agreement with Welwyn & Hatfield Council to utilise their temporary accommodation vacancies. The Council will continue to keep this issue and options under review during 2016/17.

**5. Significant Governance Issues**

- 5.1. No significant governance issues have arisen as a result of the review of effectiveness for the 2015/16 financial year.
- 5.2. We propose over the coming year to take the actions set out in Section 3, table 2 and section 4 above to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: .....

Handwritten signature of Lynne Woodhead in black ink.

Leader of the Council on behalf of  
North Hertfordshire District Council

Signed: .....

Handwritten signature of David Behr in black ink.

Chief Executive on behalf of  
North Hertfordshire District Council

1000