

ANNUAL GOVERNANCE STATEMENT 2016/17

SCOPE OF RESPONSIBILITY

- 1 Three Rivers District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. 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.
- 2 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.
- 3 Three Rivers District Council 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'. It is also in accordance with the requirements of the Accounts and Audit (England) Regulations 2015.
- 4 This Governance Statement explains how the Council has maintained sound governance during the financial year 2016/17 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 has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the annual report and statement of accounts. It comprises the systems and processes as well as the culture and values, by which the Council is directed and controlled and through which accounts to, engages with and
- 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 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

- 10 Three Rivers District Council operates a Committee model of governance under the Local Government Act 2000 and Localism Act 2011.
- 11 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.

ANNUAL GOVERNANCE STATEMENT 2016/17

- 12 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.
- 13 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.
- 14 The Management Board is aware of the financial and other procedures and controls outlined in the Constitution, and senior officers are 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.
- 15 Elected Members as decision-makers have to declare conflicts of interest as and when they occur, as well as on an annual basis.

Strategic Aims and Objectives

- 16 The Council and the Policy and Resources Committee met regularly to set the strategic direction of the Council and together with the Audit Committee and the Service Committees, monitor service delivery.

The Council publishes its Corporate Plan annually, which sets out key service improvement priorities for the medium term, with targets for performance and deadlines for achievement. This has been informed by public consultation on a range of topics, particularly around priority setting, and a detailed analysis of the local context. Progress on the Plan is reported to the public.

- 17 The Council updates its Strategic Plan every February and the Council's key objectives for 2016-19 were as follows:

VISION:

The district should remain a prosperous, safe and healthy place where people want and are able, to live and work.

OUR OBJECTIVES:

- Safety and well-being:** We shall work with partners to make the district a safer and healthier place, providing a safe and healthier environment, and reducing health inequalities.
- Clean and green:** We want to maintain a high quality local environment and reduce the eco-footprint of the district.

ANNUAL GOVERNANCE STATEMENT 2016/17

- Economic opportunities:** We shall work in partnership to promote the economic prospects for all our communities.
- Customer Service:** We shall deliver services to a standard that meets the needs and expectations of all our customers and provides exemplary value for money.

- 18 The annual update of the Strategic Plan in February 2017 revised the Council's vision and corporate objectives covering the period 2017-20.
- 19 Underpinning these over arching priorities are a series of measurable (SMART) objectives so that every member of staff and our community can feel fully engaged in the process. The council also plays a major role in the Local Strategic Partnership, which is made up of key stakeholders from Herts Valleys NHS Clinical Commissioning Group, Hertfordshire Police Constabulary, Police and Crime Commissioner, Hertfordshire County Council, Parish Councils, Thrive Homes, Watford Community Housing Trust Voluntary

Decision Making Structures

- 20 At an officer level, the senior management comprises the Chief Executive, shared Director of Finance, Director of Community and Environmental Services and Heads of Service. Financial control will primarily be the responsibility of a shared Director of Finance with neighbouring Watford Borough Council. This combined management comprises the Management Board who meet fortnightly to review and progress the key objectives of the council.
- 21 Overall financial control is monitored on a monthly basis by the Management Board and the Budget Panel. Budget preparation is influenced by the Council's Medium Term Financial Strategy which forecasts budget pressures and available resources over a four year period. This MTFs is reported to members and the Budget Panel where variations to the strategy are approved. The Council has the ultimate responsibility for approving the annual budget. The final accounts at the end of a financial year are subject to formal approval by the Audit Committee.

Constitution

- 22 The Council has a written constitution which identifies community focus, service delivery arrangements, structures and processes, risk management, internal control arrangements and standards of conduct. This sets out how the council takes decisions, roles and responsibilities of members and officers, codes of conduct and procedure rules and also sets out the rights of citizens.
- 23 Copies of the Council's Constitution are available to all on the Council's website.
- 24 There are regular meetings of the full Council, Policy and Resources Committee and the other Service and Regulatory Committees. Meetings are open to the public and written reports are available to the public through the council's website. Information is only treated as confidential when it is necessary to do so for legal / commercial reasons in accordance with the provisions of the Local Government Act 1972.
- 25 Councillors are assisted in their policy and decision-making roles by the advice of staff with suitable qualifications and experience, under the leadership of the Chief Executive. All reports requiring a decision from members include comments on financial, legal, equalities, sustainability, community safety (as relevant) and other appropriate issues such as potential risks to non achievement, all of which ensures that comprehensive advice is provided prior to decisions being taken.
- 26 The scrutiny function within a local authority provides a necessary check upon the role of Cabinet and is a key component of corporate governance. At Three Rivers it is co-ordinated through the Policy and Resources Committee.

ANNUAL GOVERNANCE STATEMENT 2016/17

- 27 The Council's protocols and procedures are reviewed and updated on a regular basis for standing orders, financial regulations, a scheme of delegation and supporting procedure notes/ manuals clearly defining how decisions are taken and the process and controls required to manage risks. Compliance with established policies, procedures, laws and regulations is achieved through a combination of training events, written policy and procedural documentation, authorisation procedures, managerial supervision, review by internal and external audit and use of the disciplinary procedure where appropriate.
- 28 Codes of Conduct defining the standards of behaviour for members, staff, our partners and the community have been developed and communicated and are available on the Council's website.
- 29 The Solicitor to the Council is the Council's Monitoring Officer and duties include: maintaining the council's Constitution; reporting on any potential or actual illegality or maladministration; and giving advice to the Leader and councillors on the Constitution or issues of maladministration, financial impropriety or probity.
- 30 The Shared Director of Finance is the statutory Chief Finance Officer. Duties include: overall responsibility for financial administration; reporting on any actual or potential instances of illegality in expenditure, including unlawful loss or deficiency or illegal items of account; and giving advice to the council on financial planning.

Data Quality and Risk Management

- 31 The Council has a performance management framework linked to the Council's Strategic Plan. The framework is based on the collection and interpretation of data in the form of performance indicators. The Council is committed to using accurate data to inform its decisions and has prepared a Data Quality Strategy to achieve this. The Council's committees report the Council's achievements against targets set for improvements.
- 32 The governance framework is dependent upon the underlying system of internal control which is designed to manage risk to a reasonable level. The Council's approach to risk management is governed by its Risk Management Strategy which is updated annually. All of the Council's key objectives, including those in the Strategic Plan have been cascaded into service plans, and the barriers to their achievement (i.e. the risks) have been identified, assessed and managed through service plans. Risks have been identified and assessed for their impact and likelihood. Where they require managing, a risk treatment plan has been prepared which identifies the controls that exist to minimise the risk together with any further action that is required. Risks associated with the Council's partners are considered and risk management is embedded throughout the Council.
- 33 Business continuity and emergency planning are other key aspects within the corporate governance framework and again falls within the remit of the Risk Management corporate group.

Shared Services with Three Rivers District Council

- 34 Three Rivers District Council has been a leading authority in developing a shared service for revenues, benefits, ICT, financial services, and human resources with Watford Borough Council. Both councils also share the statutory post of Chief Financial Officer - the Shared Director of Finance.

ANNUAL GOVERNANCE STATEMENT 2016/17

35 From April 2014, the Governance arrangements for shared services changed to a lead authority model. Three Rivers District Council are responsible for providing financial services and revenues and benefits, whilst Watford Borough Council are responsible for the provision of ICT and human resources. An executive board of senior management from both councils are responsible for these services. The role of the Board covers:-

- Monitoring performance and dealing with complaints from either authority
- Resolving conflicts between competing interests amongst the authorities
- Reviewing the governance arrangements
- Dealing with matters referred up to it by the Operations Board
- Having overall supervision of the Shared Service
Receiving annual reports on each service within the shared service.

Community Engagement

36 The Council has established clear channels of communication with all sections of the community and other stakeholders. It provides citizens and business with information about the council and its spending through a leaflet that is distributed with council tax and business rate bills and the publication of a summary of its key financial information.

REVIEW OF EFFECTIVENESS

37 The Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of councillors, the officers who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Assurance for the Shared Internal Audit Service and also by comments made by the external auditors and other review agencies and inspectorates. Members receive half-yearly reports and corrective action has been detailed and monitored where necessary. The monthly budget monitoring system incorporated an update on financial and budgetary risks, a quantitative evaluation of fee

The Council

38 All Councillors meet together as the Council. At these meetings, Councillors decide the Council's overall policies and set the budget each year. The Council also hold debates on issues which affect the district generally. The Leader of the Council can make an oral report on relevant district matters. Members of the public may, on notice, put written questions to the Council.

39 The full Council comprises 39 Members and met four times during 2016/17. In addition there was a meeting of Annual Council and one Extraordinary meeting of full Council in

ANNUAL GOVERNANCE STATEMENT 2016/17

The Policy and Resources Committee

- 40 The Policy and Resources Committee sets and co-ordinates all policy for itself and the service and other committees which have been delegated by Council. It reviews and scrutinises the policies made or proposed to be made by the Council and recommends appropriately to the Council:
- whether any new policies are required;
 - whether any existing policies are no longer required;
 - whether any changes are required to any existing policies;
 - whether any action is required to make the policies more effective.
- 41 Policy and Resources Committee met nine times during 2016/17.

The Service Committees

- 42 The Council has three Service Committees:
- Leisure, Wellbeing and Health
 - Sustainable Development, Planning and Transport
 - General Public Services and Community Safety
- 43 The functions of the Service Committees are:
- To make all decisions in respect of their areas of responsibility provided these are within their allocated budgets and agreed policies;
 - To consider any matter referred to them by the Council or the Policy and Resources Committee and recommend or report to the Council or the Policy and Resources Committee accordingly;
 - To review performance against the previous year's plans of the services within their remit;
 - To determine and annual Work Plan;
 - To liaise and seek views of the local community and other interested parties in relation to the above matters;

Regulatory Committees

- 44 The Council has three regulatory committees, Planning; Licensing; Regulatory Services.

Member Allowances

- 45 Members Allowances were reviewed in 2016 by an Independent Remuneration Panel. The report and recommendations of the Independent Remuneration Panel was approved by the full Council in December 2016. The Panel did recommend increases in
- 46 The Independent Remuneration Panel sits on an annual basis.

Senior Management

- 47 There are three Council officers who have statutory appointments - the Chief Executive's role as the Head of Paid Service, the Director of Finance's role as the Section 151 Officer and the solicitor for the Council as the Monitoring Officer.
- 48 Management Board comprises the three statutory appointments above, plus the Director of Community and Environmental Services, the Director of Finance and the Heads of Service (including those in shared service functions).
- 49 The Council keeps residents and stakeholders informed of its progress through 'Three Rivers Time' published three times a year.

Procurement

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

ANNUAL GOVERNANCE STATEMENT 2016/17

- 51 The Council's Procurement Strategy and associated policies and procedures provide guidance and advice to Members and officers to ensure that Procurement is carried out in an effective and ethical manner. This documentation includes Contract Procedure Rules and a Contract Management Toolkit. These documents are regularly reviewed to reflect changes in local requirements and EU policy and legislation.

The Audit Committee

- 52 The Audit Committee comprised seven members and met four times during 2016/17.

- 53 The role of Audit Committee is to:

- Approve (but not direct) internal audit's strategy, plan and performance.
- Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
- Consider the reports of external audit and inspection agencies.
- Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
- Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- Review the external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
- Approve the statutory Statement of Accounts.

Internal Audit

- 54 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

- 55 The internal audit function is carried out, by the Shared Internal Audit Service (SIAS), a local internal audit partnership hosted by Hertfordshire County Council. This provides greater independence and resilience and a positive step in improving governance. Internal Audit carry out a programme of reviews during the year which are based upon a risk assessment including fraud risk. The audit plan is approved by Audit Committee in March of the preceding year. As part of these audits, any failures to comply with legislation, council policy and practice or best practice guidance issued by a relevant body is identified and reported. Circulation of reports to senior officers, reports to the Audit Committee and follow-up procedures ensure action is taken on priority improvements. Progress on implementing internal audit recommendations is reported in quarterly reviews to Audit Committee and to the Management Board.

- 56 In line with Public Sector Internal Audit Standards, an Annual Assurance Statement and Internal Audit Report was compiled and presented to the Audit Committee (at its meeting in July 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.

ANNUAL GOVERNANCE STATEMENT 2016/17

- 57 The SIAS Head of Assurance Annual Report is a key source document for the Council's Annual Governance Statement. For 2016/17 this Report includes the following statements:
- In our opinion the corporate governance and risk management framework substantially complies with the best practice guidance on corporate governance issued by CIPFA/SOLACE. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2016/17.
 - A substantial assurance opinion is given on the adequacy and effectiveness of financial systems and a moderate assurance opinion on the adequacy and effectiveness of non financial systems in the internal control environment. There are no qualifications to this

The Council's External Auditors

- 58 External auditors, Ernst & Young, provide an external review function through the audit of the annual accounts, assessment of value for money, certification of grant claims and the periodic inspection of services such as revenues and benefits. The Annual Audit and Inspection Letter is circulated to all Members and formally reported to Cabinet and the
- 59 The Annual Audit Letter 2015/16 was presented to the Audit Committee in December 2016 and the main conclusions for the year were:
- The 2015/16 accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council; and
 - The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.
- 60 The Local Government contract for the Council was awarded to EY (Ernst Young) following re-tendering by the Audit Commission ahead of its abolition in March 2015. The contract is effective from 1 April 2015 and covers a period of two years which was subsequently extended by a year to cover 2017/18.

SIGNIFICANT GOVERNANCE ISSUES

- 61 The 'normal' running of Council business has and can be controlled through the governance framework detailed in this report. No new significant governance issues were identified in 2016/17. Appendix 2 details the two outstanding matters brought forward from 2015/16 and shows the latest management actions to resolve the issues.

Certification Statement from the Leader of the Council and the Chief Executive

- 62 We propose to take steps over the coming financial year to address the above matters to further enhance our governance arrangements. We will also monitor the implementation of any audit recommendations that arise during the course of the year.

Signed
Leader of the Council

Date:

Signed
Chief Executive

Date: