

## **ANNUAL GOVERNANCE STATEMENT 2018/19**

This statement, from the Leader and Chief Executive, provides reasonable assurance to all stakeholders that within the London Borough of Havering, processes and systems have been established which ensure that decisions are properly made and scrutinised, and that public money is being spent economically and effectively to ensure maximum benefit to everyone who is served by the Borough.

The Annual Governance Statement is co-ordinated within the Assurance Service and the production and progress of the statement is monitored by the officer Governance and Assurance Board.

### **Scope of responsibility**

The London Borough of Havering is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The London Borough of Havering also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the London Borough of Havering 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.

The London Borough of Havering is committed to operating in a manner which is consistent with the seven principles of the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016 Edition*. This statement outlines how the London Borough of Havering has complied with these principles and also meets the requirements of regulations 6(1) (a) and (b) of the Accounts and Audit Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### **The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. 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, cost effective services.

The system of internal control is a significant part of the 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 ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Havering's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework, available on the Havering website and provided in the link below, has been in place at the London Borough of Havering for the year ended 31 March 2019 and up to the date of approval of the statement of accounts.

[https://www.havering.gov.uk/downloads/file/3000/code\\_of\\_governance](https://www.havering.gov.uk/downloads/file/3000/code_of_governance)

### **Review of governance effectiveness**

Outlined below are the arrangements in place to review the effectiveness of the governance framework and the sources of information and assurance on which this statement is based.

#### **Constitution**

The Monitoring Officer keeps the Constitution under continual review, having delegated powers to make amendments arising from organisational changes and legal requirements and to correct errors. Other amendments are recommended by the Governance Committee for decision by Full Council.

#### **Governance and Assurance Board**

The London Borough of Havering has an established officer Governance and Assurance Board, that meets at least every six weeks, with standing membership including:

- Chief Finance Officer / Section 151 officer
- Deputy Director Legal and Governance (Monitoring Officer)
- Head of Assurance
- Deputy 151 Officer
- Director of Human Resources and Organisational Development (oneSource)
- Director of Technical Services
- Assistant Director Transformation
- Head of Procurement
- Head of Programme Management Office
- Head of Joint Commissioning Unit

The terms of reference for the Board (reviewed annually) provide the option to extend membership to meet demands and will regularly invite additional key officers to attend, to address or report on existing and/or emerging governance issues. This Board is charged with monitoring and reviewing the effectiveness of the governance arrangements throughout the year, overseeing the production of the Annual Governance Statement, monitoring progress against significant issues raised as part of this and reviewing arrangements for Risk Management.

The Board reviews the AGS significant issues as a standing item at each meeting and provides an update to Audit Committee on the progress of these issues at least once during the year. Emerging governance issues are also considered during the regular review of governance arrangements that takes place at each meeting.

## **Senior Leadership Team (SLT)**

The Senior Leadership Team (SLT) consists of the Chief Executive, five Directors with responsibility for Regeneration, Neighbourhoods, Children's Services, Adult Services & Health and Public Health plus the Chief Operating Officer which incorporates the role of Chief Finance Officer (s151 officer).

During the year there has been an interim Chief Executive for oneSource (covering the period from April 2018 to January 2019) and since February 2019, an interim Executive Director of oneSource. The Executive Director of oneSource is responsible for the delivery of the shared services between the Council with the London Borough of Newham and London Borough of Bexley. oneSource has seven portfolio Directors who are also members of the Corporate Leadership Team for the Council and have a dual role across Havering, Newham and in some cases Bexley.

## **Governance Committee**

The Council's Governance Committee, attended by the Leader of the Council and other Group Leaders and is charged with overseeing the organisation's governance arrangements including the review of the Constitution and the Code of Conduct for Members.

## **Audit Committee**

The Audit Committee is responsible for monitoring the adequacy and effectiveness of internal audit, the risk management environment, fraud and corruption arrangements and the provision of the external audit service. They receive regular reports in line with this remit and agree the annual audit plan, draft Annual Governance Statement and revisions to related policies. This monitoring is integral in the process to compile a robust Annual Governance Statement, which is approved by the Audit Committee. Significant governance issues are escalated to the Governance Committee by the Chair of the Audit Committee as required. Approval of the annual Statement of Accounts also falls under the remit of the Audit Committee.

## **Adjudication and Review Committee**

The Adjudication and Review Committee is made up of ten Councillors. The committee provides Members for panels to consider complaints against councillors and also to make up 'Member review' panels (which is the default panel for considering complaints made by members of the public at Stage Three of the Corporate Complaints procedure through a paper exercise). Should a Member Review Panel consider that a complaint warranted a formal hearing it would adjourn and reconvene to hear the matter with the parties present. The Adjudication and Review Committee is also responsible for overseeing and confirming the appointment of 'Independent Persons' and the Independent School Appeal panels which are convened to review permanent pupil exclusions.

## **Overview and Scrutiny**

The Overview and Scrutiny function reviews and challenges decisions made by the Executive and other bodies, e.g. National Health Service organisations and the Police to assist in the development of policy.

An overarching Board undertakes all call-in functions and acts as a vehicle by which the effectiveness of scrutiny is monitored and where work undertaken by themed sub-committees is co-ordinated to avoid duplication and to ensure that areas of priority are being pursued. .

The Overview and Scrutiny Board and its sub-committees have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data.

Each year Overview and Scrutiny is tasked with identifying areas of the Council's work that it wishes to consider in detail, for which purpose task groups comprised of members of the Board and its sub-committees are set up to research the issue with the assistance of officers and sometimes external bodies and report their findings and recommendations.

## **Local Pension Board**

The role of the Local Pension Board is to assist Havering as the Administering Authority to ensure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS.

This established Board holds quarterly meetings and an annual general meeting. Matters that are discussed at the meeting are shared with the Pensions Committee through the sharing of minutes and submission of an annual report.

The Pension Fund's Governance Compliance statement also incorporates the Local Pension Board which reports the extent of compliance against a set of principles.

## **Internal Audit (Assurance Services)**

Internal Audit is an independent assurance function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risk. In doing so Internal Audit supports the Chief Finance Officer in their statutory role as Section 151 Officer. Annually the Head of Internal Audit Opinion and annual report provides assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement.

From the work undertaken during the 2018/19 year, reasonable assurance can be provided that there is generally a sound system of internal control, designed to meet the organisations objectives and that controls are generally applied consistently. The level of assurance, therefore, remains at a level consistent with the assurance provided in 2017/2018.

## **Risk Management**

The strategic risks to the achievement of the Authority's objectives are captured within a Corporate Risk Register which is overseen by the Governance and Assurance Board and reported to Audit Committee during 2018/19. The Corporate Risk Register was last reviewed and approved by SLT in January 2019.

The risk management strategy and supporting policies have been reviewed and updated during 2018/19 to ensure they are sufficient to support the objectives of the Council. External, independent support has been utilised to review these processes.

## **External Inspectors**

The Council is subject to review and appraisal by a number of external bodies; results of such reviews are considered within the performance management framework. The work of the Council's External Auditor, currently Ernst and Young (E&Y) is reported to the Audit Committee. The Committee received a copy of the Audit Letter issued by Ernst & Young following completion of the 2017/18 audit. They issued unqualified opinions on the Council's and Pension Fund's financial statements along with the unqualified assessment of the Council's value for money. The Audit Results Report was issued on 31<sup>st</sup> July 2018 and the certificate of completion had been issued on 29<sup>th</sup> August 2018.

## **Information Commissioner's Office**

The Council must comply with the General Data Protection Regulation 2016 and Data Protection Act 2018. The Information Commissioner's Office (ICO) found no case of a data breach against the Council during 2018/19. No fines were imposed because of the controls implemented once issues were identified and remedial action taken.

## **Local Ombudsman**

The Council comes within the jurisdiction of the Local Government and Social Care Ombudsman. In 2018/19, the Ombudsman found eight cases of maladministration against the Council. Three cases were "maladministration & injustice without penalty" and five cases were "maladministration & injustice with penalty". There was a further determination of maladministration from the Housing Ombudsman.

## **LGA Corporate Challenge Peer Review**

Havering commissioned an LGC Corporate Peer Challenge for February 2019. The self-assessment included our position statement, setting out where we are, where we are going, what we have done so far and our plans to deliver our priorities. The review came at a time when the senior political leadership had recently changed (May 2018), and provided an ideal opportunity for the Council to take stock and subject itself to review from within the local government sector, undertaken by Peers who are experiencing similar financial and demographic pressures. The review provided an independent review of the Councils' future arrangements, expressed in the "forward" 2019/20 Corporate Plan, that set out the new Administration's big priorities and was agreed at Full Council on the 27<sup>th</sup> February 2019 alongside the MTFs.

In addition to the standard five areas for review: our understanding of our locality, our leadership, governance, financial planning and capacity to deliver this, Havering included three other specific areas of focus:

1. In view of the demographic make-up of the Borough and the challenges of the local healthcare system, Havering's approach to delivering improvements in Adult Social Care in the Borough.
2. In relation to capacity to deliver, which is one of the five key themes, a particular focus on how Havering will ensure that it maintains the corporate capacity and resilience to continue on behalf of its residents across a range of services in the face of further funding cuts.
3. In respect of our significant regeneration and housing ambition do our priorities look like what you would expect?

The Peer Teams report is expected early in 2019/20 and this will help inform the Havering Improvement Plan.

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## **Progress of significant governance issues raised in the 2017/18 AGS**

The issues identified in the 2017/18 Annual Governance Statement have been monitored by management and the Governance and Assurance Board throughout the year with review periodically to challenge actions and progress by both the Senior Leadership Team and the Audit Committee.

### **1. Corporate Project Management Office (PMO) and Economic Development**

**Programme:** A 'one Council' approach is not yet in place and the governance framework around the Corporate PMO has been identified as needing strengthening.

Progress during 2018/19:

- The Council has moved to a new governance structure which utilises 4 themes to deliver the Council's vision and encourage cross-cutting projects and programmes across the council. The four themes are Opportunities, Communities, Connections and Places.
- There is a Steering Group for each theme, attended by officers, which feeds into a Theme Board attended by the Senior Leadership Team and Cabinet Members.
- The Corporate Programme Management Office (PMO) has developed a governance framework for projects and programmes which feeds into the four theme Boards on a regular basis.
- The Council's programme management software (Execview) provides visibility of the portfolio of projects and programmes. Reports are produced from Execview data for a range of audiences – Directors, Transformation Board, Theme Steering Groups and Theme Boards.
- There is visibility of all projects across the council via the Theme Boards and any red or amber projects are discussed in detail.
- The themed reports include information about project and programmes including milestones, costs, benefits and risks, specifically identifying red and amber risks for Board attention.
- Capacity to deliver the wide range of activity determined by the Medium Term Financial Plan and strategic priorities outlined in the Corporate Plan is under constant review by SLT and new business cases for launch of projects and programmes are approved via the Theme Steering Groups and Boards.
- Recommendations from the Project and Programme Governance Internal Audit have been implemented.

The Governance & Assurance Board consider that sufficient action has taken place during 2018/19 to close this significant issue.

**2. Financial Regulations:** During the course of the year, inconsistencies between the financial regulations, scheme of delegation and wider constitution were identified. This particularly related to the write off of bad debts and who had approval to authorise these.

Progress during 2018/19:

- The constitution was updated by the Legal Services team which clarified the roles and responsibilities at a portfolio level.
- The authorisation of the write off of debts and approval of income and expenditure was clarified based on the current financial regulations.
- It was confirmed that the financial regulations and scheme of delegation needed to be updated in 2018/19 to ensure they were more streamlined and easier for Officers to navigate.
- The financial regulations and associated scheme of delegation will be reviewed and amendments identified and pursued through full Council.
- Once updated to go to SLT for review and then to Governance Committee for approval.

There is an ongoing process to ensure that the remaining identified issues and inconsistencies are rectified and whilst this will remain on the Governance and Assurance Board's agenda until full completion it is considered that sufficient action has taken place during 2018/19 or is planned to conclude in early 19/20 to close this significant issue down.

**3. Delivery of a balanced budget:** The Council was able to set a balance budget for the 2019/20 financial year. As set out in the report to Council there continues to be continued pressures over the medium term to the Council due to increased service demand and pressures while available resources are reducing. The report specifically highlights pressures for both Children Services and Homelessness services, which amount to £3.304m. The continued financial landscape for the Council isn't set to change over the medium term and will continue to present challenges to the Council in setting a balance budgets for 2019/20 and beyond.

Progress during 2018/19:

- At the end of 2017/18 the Council was able to achieve a balance budget for 2018/19.
- Service mitigation plans were put in place where services were not able to operate within their delegated budgets and for both Children Services and Homelessness these were in place and monitored by the Council's senior leadership team.
- The Medium Term Financial Strategy (MTFS), sets out the Council's financial forecast for the coming five years, aligned to the Corporate Plan and was monitored during the year for anticipated levels of expenditure and income to the Council and the requirement for officers to identify efficiency opportunities.
- Officers reported to the Senior Leadership Team on a monthly basis from period 2 – 12 with an anticipated outturn for the financial year identifying medium term financial pressures and opportunities. This was subsequently reported to Cabinet Members.
- Cabinet received a mid-year review of the MTFS in September 2018.
- A report to Cabinet outlining current budget gaps went in December 2018.



- The Council is embarking on a wider transformation and modernisation programme which will support the delivery of efficiencies whilst improving outcomes to residents and delivering the Council's corporate plan.

This has been identified as a continuing significant issue during 2018/19 and will remain on the action plan for monitoring during 2019/20.

#### **4. Information Governance - GDPR:**

Progress during 2018/19:

- The mapping of data processes has been completed and there is continuous review of content and updates to information. This is now embedded as a business as usual process and the information recorded is updated as processes change.
- Internal Audit completed and audit during March 2019 and a Moderate Assurance was given. An action plan of recommendations raised was provided to management within the draft report.

The Governance & Assurance Board consider that sufficient action has taken place during 2018/19 to close this significant issue.

**Significant governance issues 2018/19 (to be addressed in 2019/20)**

**3. Delivery of a balanced budget:** The Council was able to set a balance budget for the 2019/20 financial year. As set out in the report to Council there continues to be continued pressures over the medium term to the Council due to increased service demand and pressures while available resources are reducing. The continued financial landscape for the Council isn't set to change over the medium term and will continue to present challenges to the Council in setting a balance budgets for 2019/20 and beyond. Uncertainty around many aspects of the future funding model for Local Government remains a challenge in the medium term.

**Actions taken during 2018/19**

- At the end of 2018/19 the Council was able to achieve a balance budget for 19/20.
- The development of the 2019/20 budget and MTFs has fully taken account of the financial position being reported for 2018/19. At budget setting, the period 8 (30th November) monitoring report reviewed by Overview and Scrutiny Committee reported an overspend across Council service departments of £2.787m for 2018/19. The Senior Leadership Team has continued to focus on measures to contain expenditure within the approved budget in order to ensure financial stability as a basis for the 2019/20 budget and beyond. Work continued in year to reduce the overspend by the year end.
- Officers reported to the Senior Leadership Team on a monthly basis from period 2 – 12 the anticipated outturn for the financial year, which identified medium term financial pressures and opportunities, and demonstrated management action to contain the in year position.
- The Medium Term Financial Strategy, sets out the Council's financial forecast for the coming five years, aligned to the Corporate Plan, and will continue to monitor the anticipated levels of expenditure and income to the Council and the requirement for officers to identify efficiency opportunities.
- The Council established a wider transformation and modernisation programme supporting the delivery of efficiencies whilst improving outcomes to residents and delivering the Council's corporate plan.
- A corporate capital strategy was developed in line with the revised code of practice and this was approved with the capital programme alongside the MTFs report. This incorporated the work of the council's regeneration programmes.

**Planned actions for 2019/20**

- Officers will continue to report to the Senior Leadership Team on a monthly basis from period 2 – 12 the anticipated outturn for the financial year, which will identified medium term financial pressures and opportunities.
- The Medium Term Financial Strategy will continue to be updated and the corporate work plan is beginning from April to consider the budget challenge for

the next year and medium term. Cabinet will receive updates on the MTFs and overarching financial position throughout the year.

- The Council continues to deliver the transformation and modernisation programme, including the transition to Oracle Fusion. The theme boards will focus on the delivery of the transformation and core business.
- Officers will continue to work with the administration to ensure that the financial challenge is clearly understood and they work collaboratively to support officers in identifying new opportunities to reduce the financial pressures facing the Council.

#### **Lead Officer**

Jane West, Chief Operating Officer

## **2. Embedding the Governance Culture and Framework within the organisation:**

Further work needs to be undertaken to develop a comprehensive, auditable and objective assurance process to give reassurance that the Governance framework is understood and embedded within the organisation. Particular emphasis should be given to ensuring that any change in the governance framework is known and addressed and that new personnel are equipped with the correct knowledge and understanding.

#### **Actions taken during 2018/19**

- Induction process.
- Governance issues picked up within some individual audits during completion of the 2018/19 Internal Audit plan and recommendations raised to address them.

#### **Planned actions for 2019/20**

- Highlighting of key governance changes.
- Review and development of induction process.
- Development of co-ordinated and monitored training programme.
- Further specific governance and risk work allocated in the 2019/20 Internal Audit Plan.

#### **Lead Officer**

Jane West, Chief Operating Officer

<b>3. EU Exit; Preparations and Impact</b>
<b>Actions taken during 2018/19</b>
<ul style="list-style-type: none"> <li>• Established a Corporate EU Exit Group, reporting weekly to SLT</li> <li>• Active participation in Borough, London and National related groups, e.g. London Resilience</li> <li>• Completion of the London Resilience Risk Register for Havering</li> <li>• Review of Borough Emergency Plan and arrangements against National standards</li> <li>• Training of Local Authority GOLD Officers</li> <li>• Updated BCPs</li> <li>• Testing of Borough Emergency Plan</li> <li>• Attendance at national events</li> <li>• Implemented weekly PI monitoring</li> <li>• Weekly returns to London Councils made</li> <li>• Weekly telephone conference with London Resilience/London Council Groups</li> <li>• Sign-posting of National Guidance (Community and Staff)</li> </ul>
<b>Planned actions for 2019/20</b>
<ul style="list-style-type: none"> <li>• As above plus:             <ul style="list-style-type: none"> <li>• Move to daily updates</li> <li>• Arrangements in place for EU elections on May 23<sup>rd</sup></li> <li>• Review key Risk Mitigations</li> <li>• Support for LAC EU settlement status</li> </ul> </li> </ul>
<b>Lead Officer</b>
Jane West, Chief Operating Officer

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

**Conclusion**

To the best of our knowledge, the governance arrangements, as defined above, have been effectively operating during the year. We did not find any matters that needed addressing during our review other than those that were previously identified and on which action has been taken to address.

**Signed:**

Leader of the Council .....

Chief Executive .....