

## **ANNUAL GOVERNANCE STATEMENT**

This statement, from the Leader and Chief Executive, provides 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 all citizens of the Borough.

### **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 and 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, and 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 principles of the CIPFA/SOLACE\* Framework *Delivering Good Governance in Local Government*. This statement explains how London Borough of Havering has complied with these principles and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011.

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

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 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 has been in place at London Borough of Havering for the year ended 31 March 2013 and up to the date of approval of this statement.

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## **The governance framework**

The key elements of the systems and processes that comprise the Council's governance arrangements are described in more detail below.

### **Vision and purpose**

#### **Living Ambition - for a better quality of life**

In 2008 the Council launched 'Living Ambition' - a long-term strategy to improve still further the quality of life enjoyed by Havering's residents.

We want Havering's residents to enjoy the highest possible quality of life; and we are determined to make the most of our links to the heart of the Capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

The 'Living Ambition' agenda is being delivered by striving towards five goals which have been integrated into the Council's business planning processes:

Goal for the Environment – to ensure a clean, safe and green borough

Goal for Learning – to champion education and learning for all

Goal for Towns and Communities – to provide economic, social and cultural opportunities in thriving towns and villages

Goal for Individuals – to value and enhance the lives of our residents

Goal for Value – to deliver high customer satisfaction and a stable council tax

The vision has not changed; however since it was launched in 2008 there have been significant changes in the resources available in local government and the relationship between public services and the local communities. These changes are far from complete and pose new Governance challenges for the Council. The Council's Goals, policies and procedures, as a result, will continue to be subject to review to ensure that roles and responsibilities and the Council's expectations in terms of governance continue to be robust and clearly communicated both internally and externally.

Underpinning the Vision are six Values, to which all officers are expected to work, in order to build a more effective organisation that serves local people and makes Havering a place where its residents are proud to live. The Council's Values were used to shape the Council's competency based appraisal framework. The Values are:

- One Council
- Learning from experience

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- Integrity
- You matter
- Can do
- Fair to all.

### **Performance Management**

The performance management framework has several functions:

- Focussing priority setting around needs along with the priorities of the Council and the public;
- Ensuring relevant, timely and accurate information is available to measure and monitor performance and on which to base decisions;
- Ensuring high quality public services which provide high levels of value for money.

The Council's Corporate Plan 2011-14 is at the heart of the organisational performance management framework. It sets out the overall priorities and objectives of the organisation, and outlines the key activities that will be undertaken as well as the measures put in place to monitor delivery. Sitting underneath the Corporate Plan are Service level plans which outline in more detail the work that will be undertaken to achieve these objectives.

Performance management is therefore carried out at numerous levels of the organisation, from scrutiny by Members of the Quarterly Performance Report, Corporate Management Team, and individual performance management as part of the Performance Development Review process.

The Overview & Scrutiny Committees also consider the performance reports – along with those that they have independently commissioned – and carry out their own reviews.

The Council's Annual Report, which reports on performance against the objectives of the organisation, is published on the website and is also produced for distribution as hard copy on request.

The Council's strategy and guidelines on Performance Indicator data quality lay down clear guidelines to the effect that all performance indicators must be reported to the same robust standard; any performance data that is to be considered for publishing can be subject to either internal or external audit.

The Council's financial management approach has broadly been led through its Medium Term Financial Strategy, which has customarily been produced in the summer, ahead of the detailed budget process, setting out the approach to financial planning for the subsequent three financial years. In response to the Coalition Government's Emergency Budget, Cabinet agreed its medium term approach in July

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of 2010 and 2011, with further minor refinements in February 2012, following the announcement of the local government financial settlement. These proposals were subject to review by Overview & Scrutiny Committees, as well as consultation with the local community where appropriate. The broad plan set out over these reports has remained in place, with further refinements as part of the budget setting process for 2013/14. The current budget reflects significant changes to the funding of local authorities, with the localisation of business rates and Council Tax support, as well as continued reductions in Government funding. These factors have increased the degree of financial risk being addressed within the financial strategy, and this is reflected in the approach taken to budget development, and to the management of the budget during the course of the year.

The agreed savings proposals along with the results of market research into public opinion; the outcome of the resident's survey; studies of the needs in the Borough and the requirements of the Council's priorities; go to define the objectives in Service Plans produced by each Head of Service.

There are a number of strategies linked directly with the MTFs; this includes the Capital Strategy, the Corporate Asset Management Plan, the Risk Management Strategy, the ICT Strategy and the Workforce Planning Strategy. These are now refreshed to reflect any material changes, rather than solely on an annual basis.

### **Codes of Conduct**

The Council has Employee and Member Codes of Conduct supported by the requirement to make declarations of interest and to declare gifts and hospitality. Interests must be declared by officers above a certain grade or who hold specific decision making and procurement positions. Officers are required to decline gifts and hospitality to ensure that they are not inappropriately influenced and Members are required to register any accepted as part of their declaration of interest. The Codes and related policies and procedures are communicated via induction sessions and are available via the intranet. Periodically awareness campaigns occur to remind individuals of their responsibilities. The relevant Corporate Management Team member is tasked with ensuring that appropriate arrangements are in place, for declarations, and the systems are reviewed periodically by internal audit.

### **Financial Rules and Regulations**

The Council has Financial and Contract Procedure Rules and Financial and Procurement Frameworks along with other policy and procedural documents in place to guide officers in their every day duties and ensure appropriate processes and controls are adhered to. Schemes of delegation are also in place to detail appropriate levels of responsibility. In 2012/13 a new iProcurement system has been implemented and authorisation limits are built into the management hierarchies now rather than being manually checked before transactions are processed, though transactions are gradually being migrated onto this new system. Compliance with the various financial rules and regulations is monitored by Management and considered during audits of systems and processes. Audit reports have noted some weaknesses in policy and procedural documentation around new financial processes

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and systems and actions to address this have been agreed by Management.

### **Effective Audit Committee**

The Audit Committee operates in accordance with the relevant CIPFA guidance. Its effectiveness is reviewed annually and an annual report is produced for the Committee. The Committee's terms of reference, outlined in the Constitution, contain responsibilities relating to internal control, external audit, and internal audit. During 2012/13 six members sat on the Audit Committee representing the Conservative, Residents and Labour Groups of the Borough. The Audit Committee meets five times per year. The Committee has an annual work plan and training programme and reports on its performance to Council annually.

### **Compliance with laws, regulations and internal policies**

The Constitution sets out the legal framework for decision making and the publishing of those decisions. There is a scrutiny system in place to ensure that the work of the Council complies with all appropriate policies, laws and regulations. Overview and Scrutiny has the power to call in and challenge all decisions of Cabinet and individual Cabinet Members and key decisions of staff. Legal, Finance and Human Resources staff clear every Cabinet, Council and Committee report and every Cabinet Member decision, for compliance with laws, policies and regulations. All statutory appointments have been established within the senior management structure in place during 2012/13 and within the new structure to be implemented in 2013/14. The Statutory Officers also provide advice to Members at all appropriate times.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. There is an intention to review policies and procedures at least annually however due to the pace of organisational change this has not been consistently achieved across the systems and processes and an action plan which includes improvements to the Council's intranet site which will strengthen the arrangements in this area also.

### **Counter Fraud and Confidential Reporting**

The Council has a corporate strategy for the prevention and detection of fraud and corruption. The effectiveness of the arrangements in place is reviewed annually and results reported to the Audit Committee. Ad hoc promotion of the strategy takes place throughout the year as part of the fraud strategy action plan. Integral to these arrangements is the Confidential Reporting (also known as Whistle blowing) policy which is communicated to staff via induction, the intranet and ad hoc awareness initiatives. The effectiveness of arrangements are reviewed annually and reported to Audit Committee. The results of fraud investigations are publicised to further promote the arrangements in place, as appropriate.

The Council also participates in the National Fraud Initiative (NFI), a computerised data matching exercise, led by the Audit Commission, designed to detect fraud perpetrated on public bodies. Havering has been praised on their efforts with this exercise.

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## **Complaints**

A Corporate Complaints procedure exists to ensure that all standard complaints are effectively recorded and dealt with in the same way. The procedure is supported by the relevant technologies to ensure efficiency and requires officers nominated as 'Complaint Owners' to respond within set timescales. The process includes an escalation procedure where target timescales are not achieved.

## **Ombudsman**

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2012/13, the Ombudsman made no finding of maladministration against the Council.

## **Training and Development**

The Council has a commitment that every member of staff has an on-going Performance Development Review throughout the year as well as formal timescales for agreeing targets and objectives and outcomes. In 2012/13 the Learning and Development Strategy and Performance Development Review Framework have been fully implemented.

The Council's Oracle system captures performance, development and training information within modules meaning that system generated management information is available for both strategic and operational management of resources and decision making. It also allows for Senior Management to ensure that there is compliance within the organisation with regards corporate policy in this area and also efficiently provides assurance that mandatory training, required for officers to competently fulfil their roles, has been completed.

The Council's expectations and demands on Managers are high; a behavioural competency framework is in place and annually all people resources are assessed against the competencies as part of the annual Performance Development Review which also rates progress towards objectives. The timing of this years review of governance coincides with the end of the first year of the new performance approach so detailed outcomes were not available, the Governance Group noted to ensure that on-going work on the Governance Framework will cover this to gain necessary assurances. During 2012/13 a significant package of training has been identified and offered and this will continue to be developed going forward.

The Council has attained the Member Development Charter. A development programme to keep them up to date with changes and support their individual training needs is provided. Training is supplemented by information through briefings and bulletins. Their training is tailored to their role.

## **Communication and Engagement**

The Council strives to identify and develop new effective mechanisms to communicate and consult with the community. The wide number of forums take place to consult with all members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic)

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forum and the Inter Faith forum.

The Council maintains a website to provide information and a point of contact to the residents of the Borough. The publication 'Living' goes out to all households on a quarterly basis, promoting the work of the council and local people in making Havering a good place to live.

An extensive consultation process is carried out as part of the development of the MTFs and detailed annual budget. Views are sought through various media and the budget itself is subject to scrutiny through Cabinet and Overview & Scrutiny, Committees.

The public are also consulted on the budget proposals – this year using a sample of 3000 resident who had requested to be kept informed, over 500 responses were received to an online survey giving residents the opportunity to have input to the Council's budget proposals.

The Council is also committed to listening to resident's feedback through both formal and informal mechanisms. Over the last three years, Havering has carried out an annual major survey. In 2011, the *Your Council, Your Say* survey elicited 12,000 responses. That was followed in 2012 with the Spring Clean Survey, asking about the cleanliness of local streets, parks and town centres. Nearly 8,000 people responded and the survey has been used to inform the Cleaner Havering campaign. This year a new Your Council, Your Say survey is being undertaken.

## **Transformation**

A number of Transformation programmes are running within the organisation. The overall programme is monitored by the Corporate Management Team with the support of the Corporate Transformation Team. A Strategic Board exists for each programme. The Governance arrangements have been clearly defined for programmes and this is monitored for compliance. Soft audits are undertaken to verify benefits of the programmes and outcomes; the outcome from these audits is reflected in the Council's budget monitoring process and this ensure due account is taken of any shortfall in delivery as part of the budget setting process. At the time of approval of the Annual Governance Statement the programmes are being refocused to meet the current needs of the organisation following review of progress and new challenges.

## **Partnerships & Collaborative Working**

The Havering Strategic Partnership is the main overarching strategic partnership for Havering, consisting of a number of public and voluntary sector partners. The HSP works to ensure the delivery of the 'Living Ambition', the 20 year vision for the Borough.

In addition to the HSP, there are a number of partnership boards in place such as the Community Safety Partnership, a Health and Wellbeing Board and the Children's Trust. There are also a number of other forums in existence in Havering including

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the Culture Forum, and many others.

The Council has for a number of years worked closely with neighbouring boroughs to share good practice and efficiency success. In response to the reduced funding for local government this work has expanded to consider stronger relationships that will yield cost savings to all parties. These initiatives involve shared procurements, Information Technology developments and shared Management posts.

### **Review of effectiveness**

The London Borough of Havering 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 the Governance Group within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

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 written reports, organisational changes, and legal requirements and to correct errors. Other amendments are considered by Governance Committee and Council.

### **Governance Group and Corporate Management Team**

The Council's officer governance group is charged with reviewing the governance arrangements and monitoring any actions designed to improve the framework. Close links exist between this group and the Corporate Management Team (CMT) who in 2012/13, consisted of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues. A new Senior Management Structure was proposed at the end of 2012/13 and will be implemented during 2013/14. To reflect the changes in responsibilities from April 2013 a new Director of Public Health has been appointed. The impacts on the Governance Framework have been considered as part of the restructure process and will be monitored into 2013/14 while the new structure is embedded.

### **Governance Committee**

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

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## **Audit Committee**

The Audit Committee are responsible for monitoring the work of Internal Audit regarding internal control. This monitoring is integral in the process to compile a robust Governance Statement. Significant Governance issues are escalated to the Governance Committee by the Chair of Audit Committee as required. The Audit Committee approves the Annual Governance Statement.

## **Adjudication & Review Committee**

The Adjudication & Review Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, which will provide panels of three members to hear any complaints about the conduct of members

## **Overview and Scrutiny**

The overview and scrutiny function reviews decisions made by the Executive and other bodies, e.g. National Health organisations. The focus of their role is to provide a challenge to decisions made by the Executive and to assist in the development of policies. Currently there are seven Overview & Scrutiny Committees. At their meetings they also have the opportunity to consider performance information within their area of responsibility using monthly Members packs and other relevant performance data. A Health and Wellbeing Board was established in 2012/13 in preparation for the new Public Health responsibilities from 2013/14.

Each year the Committees identify areas of the Council's work that they wish to consider in detail for which purpose task groups comprised of members of the committee are set up, research the issue with the assistance of staff and sometimes external bodies and report their findings and recommendations.

## **Internal Audit**

Internal Audit is an independent appraisal function that measures, evaluates and reports upon the effectiveness of the controls in place to manage risks. In doing so Internal Audit supports the Group Director Resources in his statutory role as Section 151 officer. As part of the annual governance review the contents of CIPFAs Statement on the role of the Chief Financial Officer in Local Government and the Head of Internal Audit in Public Service Organisations, both published 2010, have been considered. Annually a Head of Internal Audit Opinion and annual report provide assurance to officers and Members regarding the system of internal control; this assurance has also been considered in the production of this statement. From April 2013 new Public Sector Internal Audit Standards exist and the service will be reviewed to ensure compliance with requirements.

## **Risk Management**

The responsibility for the system of internal control sits with management therefore each Head of Service is required to complete their own assessment and declaration with regards to the arrangements in place within their respective areas. These declarations have been considered when compiling this statement. The Council has

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embedded risk management processes and relevant policies and the strategy are reviewed and approved annually by Audit Committee.

Heads of Service maintain Service Risk Registers and identify their top risks as part of the annual service planning process. The strategic risks to the organisation are captured within a Corporate Risk Register. The Council has an Operational Risk Management Group that considers local or organisation wide risks. In 2012/13 this group has reviewed and commented on a sample of Service Risk Registers; a number of Corporate Risks and also considered emerging risk areas such as the new car pooling scheme and the use of volunteers.

### **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 PricewaterhouseCoopers (PwC), is reported to the Audit Committee. The Council's accounts are audited annually by the external auditor and an unqualified opinion was given for 2011/12 following similar opinions in previous. The results of all external reviews have also been considered in the process of compiling this statement.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant governance issues**

The issues identified in the 2011/12 Annual Governance Statement have been monitored by management throughout the year with review periodically to challenge actions and progress by both Corporate Management Team and the Audit Committee.

Of the four issues highlighted in the 2011/12 Annual Governance Statement, one, relating to Fraud, has been removed as although still a on-going threat to the public sector the Governance issues have been fully addressed at the end of March 2013. The other three issues have wide reaching implications and, although significant progress has been made, it is felt that these issues remain open.

The remaining 2011/12 issues are detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2013/14.

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<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p><b>1. Information Governance – protection of personal data</b></p> <ul style="list-style-type: none"> <li>➤ Information Governance Group in place.</li> <li>➤ Corporate wide roles and responsibilities agreed.</li> <li>➤ Close working with other Boroughs.</li> <li>➤ Action plan produced and monitored.</li> <li>➤ Meeting the requirements for N3 (to NHS) connection for Social Care.</li> <li>➤ Corporate Risk monitored.</li> <li>➤ Audit work undertaken.</li> </ul>	<p>Include Public Health in Governance Groups.</p> <p>Further communications campaign.</p> <p>Focus on risks around partners and suppliers.</p> <p>Implementation of audit recommendations.</p> <p>Voluntary assessment by Information Commissioner.</p>	<p>Group Director Resources.</p>

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<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p><b>2. Austerity – having to maintain services with fewer resources.</b></p> <ul style="list-style-type: none"> <li>➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery.</li> <li>➤ 2012/13 savings targets achieved.</li> <li>➤ Transformation programmes to deliver savings have been reviewed to ensure meet future requirements.</li> <li>➤ Ongoing financial modelling and a risk-based approach to budget monitoring.</li> <li>➤ Forecasting system now embedded into budget monitoring activity.</li> <li>➤ Increased work on benefits of partnerships and collaborative working.</li> </ul>	<p>Focus on extending governance arrangements embedded for local programmes to those that span multiple organisations.</p> <p>Specific monitoring arrangements being introduced to assess impact of changes in funding streams.</p> <p>Consideration of supply chain risks ensuring we have mechanisms to prevent financial loss through service interruption.</p> <p>Initial planning for longer term budget strategy to commence.</p> <p>Implementation of new senior management structure.</p>	<p>Group Director Resources.</p>

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<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p><b>3. Pace of Organisational Change – ensuring governance arrangements are revised and remain appropriate given the significant changes in the organisation.</b></p> <ul style="list-style-type: none"> <li>➤ Significant culture change achieved so far as part of transformation agenda.</li> <li>➤ Internal Audit work to flag key areas of risk.</li> <li>➤ Increased working with other organisations on key financial transformation means there will be increased resources to share in work going forward.</li> </ul>	<p>Increased frequency is planned for review of governance framework.</p> <p>Monitoring of impact on governance framework of key changes including Senior Management Restructure; Public Health, One Oracle Programme and other partnership arrangements.</p> <p>Public Health to participate in Governance Groups.</p> <p>Consideration of need to an alternative plan where changes being implemented are far reaching and high risk, particularly with IT projects.</p> <p>More time on lessons learned to feed into new projects.</p>	Chief Executive

One additional significant issue has been identified as a result of the 2012/13 review of the Council's Governance Arrangements.

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<b>Significant Issue</b> and action already taken	<b>Planned action</b>	<b>CMT Lead</b>
<p><b>4. Compliance – ensuring that policy, procedure and roles and responsibilities are clearly defined and communicated to all and that compliance levels are maintained during period of significant change and reduced capacity.</b></p> <ul style="list-style-type: none"> <li>➤ 2012/13 audit work has identified some areas for improvement.</li> <li>➤ Senior Management restructure has already focused on redefining and clarifying roles and responsibilities.</li> <li>➤ In 2012/13 Corporate Management Team and the Audit Committee reiterated their support for zero tolerance strategy with regards fraud or corruption.</li> </ul>	<p>Communications from Head of Human Resources and Organisational Development &amp; Internal Audit.</p> <p>Corporate Management Team to consider compliance arrangements in context of governance framework.</p> <p>Improvements to Intranet to aid self service and clear communication.</p> <p>Review and update of key policies and procedures as key activity of every transformational project.</p> <p>Development and implementation of Management Development Programme.</p> <p>Audit work to provide assurance.</p>	Chief Executive

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.

**Signed:**

Leader of the Council .....

Chief Executive .....

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