

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 2014 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.

Our purpose and values

Havering Council's aim is to provide the Borough's residents with a better quality of life. We want 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.

In recent years, the Council has had to frame this ambition within the new reality of austerity measures and the reduction in funding to local government. These on-going changes to the role, form and funding of local authorities poses new governance challenges for the Council. Havering's 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.

The work of the Council and its staff is anchored to six Values, 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
- Integrity
- You matter
- Can do
- Fair to all.

Corporate Performance Framework

The Corporate Performance Framework has several functions:

- To focus on priorities, which have been set according to the needs of the Council and the public;
- To ensure relevant, timely and accurate information is available to measure and monitor performance to support decision making;
- To ensure high quality public services that provide value for money.

The Council's Corporate Plan 2011-14 is at the heart of the organisational Corporate Performance 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

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are Service Plans, which outline in more detail the work that will be undertaken to achieve these corporate objectives. Market research into public opinion, the outcome of the residents' survey, studies of needs in the Borough and the requirements of the Council's priorities also help to define Service Plan objectives.

The Corporate Performance Framework operates as a number of different levels throughout the organisation. For example, in addition to the Corporate Management Team (CMT) and Members scrutinising the quarterly Corporate Performance Reports, individual performance management takes place as part of the Performance Development Review (PDR) process.

The Overview & Scrutiny Committees also consider the quarterly Corporate Performance Reports – along with any other reports that they have commissioned – and carry out their own independent reviews.

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

There are clear guidelines around data quality to ensure that all performance indicators are reported to the same robust standard; any performance data can be subject to either internal or external audit.

The Council's financial management approach has in the past broadly been led through its Medium Term Financial Strategy, which had 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 of 2010 and 2011, with further minor refinements in February 2012, following the announcement of the respective local government financial settlements. 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 both 2013/14 and 2014/15. The latter year in particular has seen continued further reductions in Government funding. The budget also reflects significant changes to the funding of local authorities, with the localisation of business rates and Council Tax benefits. Further reductions in funding are inevitable, certainly for 2015/16, but in all likelihood until the end of the current decade. 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.

An assessment of the future budget gap, over the life of the new Administration post the May 2014 elections, has been undertaken and has been reflected in reports to Cabinet. A new financial strategy is being developed for discussion with the

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Administration and this is likely to be formally presented over the summer.

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 everyday duties and ensure appropriate processes and controls are adhered to. The iProcurement system makes use of authorisation limits which are built into the management hierarchies 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 and systems and actions to address this have been agreed by Management but not all implemented as many need to be implemented as part of the One Oracle and oneSource projects.

Effective Audit Committee

The Audit Committee operates in accordance with the relevant CIPFA guidance. The Committee's terms of reference, outlined in the Constitution, contain responsibilities relating to internal control, external audit, and internal audit. Members are expected to serve a four year term on the Committee to ensure consistency; they also nominate named substitute members who receive the same level of induction and on-going training to ensure sufficient expertise at every meeting to challenge officers. During 2013/14 six members sat on the Audit Committee representing the Conservative, Residents and Labour Groups of the Borough. One position became vacant part way through the year. The Audit Committee meets five times per year and has an annual work plan made up of regular and specific agenda items. Its effectiveness is reviewed annually and an

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annual report is produced to communicate the Committees performance to Council.

Compliance with laws, regulations and internal policies

The Constitution sets out the 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. 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 all systems and processes. An action plan to address this has been prepared and the introduction of the oneSource joint back office, which includes improvements to the Council's intranet site, will strengthen these arrangements.

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 is reviewed annually as part of a wider review of anti-fraud and corruption. 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.

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 streamlined processes 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

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2013/14, 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.

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 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. A wide number of forums take place to consult with members of the community, particularly targeting 'hard-to-reach' groups, such as the Over 50s forum, the BME (Black and Minority Ethnic) forum and the Inter Faith forum.

The Council maintains a website to provide information and services to the residents of the Borough. The publication 'Living in Havering' is distributed to all households on a quarterly basis, promoting access to services and raising the profile of the work done by the council and local people to make Havering a good place to live. This is augmented with an electronic bulletin once a month and communication through a host of other channels, from social media to poster sites and the local press.

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 Council's future priorities. Over the past three years, there have been two 'Your Council, Your Say' surveys asking local people for their opinion on current services and their future priorities. There has also been a stand-alone survey considering the cleanliness of the Borough. Between them, these

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surveys have attracted approximately 27,000 responses in total.

An online survey to support the budget-setting round in February 2014 attracted a further 300 responses and is an example of the smaller surveys undertaken to track opinion in Havering and ensure that the views of residents continue to play a major role in shaping decision-making at Havering Council.

Transformation

A number of Transformation programmes have been closed and others are still 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 live programme. The Governance arrangements have been clearly defined for programmes and this is monitored for compliance. Monthly highlight reports submitted to Boards and CMT identify not only the progress against programme plans but also the position on budgets and benefit achievements to ensure any risks are identified early and mitigation put in place. These figures are also reflected in the Council's budget monitoring process.

Partnerships & Collaborative Working

There are a number of partnership boards in place such as the Community Safety Partnership, the Health and Wellbeing Board and the Children's Trust. There are also a number of other forums in existence in Havering including 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 have in the past involved shared procurements, Information Technology developments and shared Management posts. Due to the success of these partnerships the Council is working closely with the London Borough of Newham, on oneSource, a Joint Committee has been set up and senior management structure implemented with the aim of sharing back office functions and driving down costs. In addition One Oracle is the coming together of a number of London Boroughs to implement shared services technology, the new system is due to go live in 2014 and will not only allow cost sharing between boroughs but also brings opportunities for harmonising policy and procedure and reducing bureaucracy.

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.

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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 considered by Governance Committee and Council. The Constitution was updated in April 2013 to reflect a restructure of senior management. The oneSource management structure was reflected in the Constitution in April 2014.

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 2013/14, consisted of the Chief Executive, and the Council's four Corporate Directors overseeing Resources; Culture, Community and Economic Development, Children's, Adults and Housing & Public Health, who take an active interest in Governance issues. From April 2014 the senior management structure of oneSource will include a number of shared posts with London Borough of Newham reporting to the Joint Managing Directors of oneSource a role undertaken by the Group Director of Resources for Havering.

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.

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. To support the new Audit Committee in this role post the election the AGS will be considered by the out-going Audit Committee in April 2014 as these Members will have overseen the work of the Internal Audit Service during 2013/14.

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.

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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. 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. In 2013/14 a preliminary assessment of the service against the new Public Sector Internal Audit Standards took place and no significant issues arose the service will be independently inspected for compliance with the standards in line with the 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 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 2013/14 this group has reviewed and commented on a sample of Service Risk Registers and all the Corporate Risks.

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

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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 2012/13 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 2012/13 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. Although significant progress is noted none of the four issues highlighted in the 2012/13 Annual Governance Statement, have been fully addressed at the end of March 2013. All four issues have wide reaching implications, during the process to produce the Annual Governance Statement each has been updated to ensure it remains current and focused and progress and future planned actions refreshed.

Significant Issue and action already taken	Planned action	CMT Lead
<p>1. Information Governance – protection of personal data, data sharing and quality</p> <ul style="list-style-type: none"> ➤ Information Governance Group in place. ➤ Revised guidance and e learning rolled out. ➤ Action plan produced and monitored. ➤ Meeting the requirements for N3 (to NHS) connection for Social Care. ➤ Corporate Risk monitored. ➤ CoCo Compliance achieved. ➤ Audit work undertaken and recommendations implemented. 	<p>Further communications campaign.</p> <p>Focus on risks around partners and suppliers.</p> <p>Voluntary assessment by Information Commissioner.</p>	<p>Group Director Resources.</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>2. Austerity – having to maintain services with fewer resources.</p> <ul style="list-style-type: none"> ➤ Embedded approach and governance around transformational activity linked to savings plans including impacts assessed and assurance work on savings delivery. ➤ On-going monitoring of savings and new process in place. ➤ Increased work on benefits of partnerships and collaborative working. ➤ Update to Business Growth Strategy. ➤ Medium to Long term financial strategy set out. ➤ Supply Chain Risks mitigated via use of construction line. ➤ Assessment of potential four year gap undertaken and reported to CMT and Cabinet. 	<ul style="list-style-type: none"> ➤ Plan in place to develop new financial strategy for discussion with Cabinet post election. ➤ Analysis underway to identify authorities in a similar position to Havering to share experiences and potentially to undertake joint lobbying. ➤ On-going budget monitoring to ensure spending is in line with reduced Government funding. ➤ Implementation of oneSource shared service which will deliver quantified savings. ➤ Creation of business rates pool from 1 April to mitigate risk and potentially share from growth. ➤ Wide range of detailed work underway on new social care legislation and funding arrangements. 	<p>Group Director Resources.</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>3. Pace of Organisational Change – ensuring governance arrangements are revised and remain appropriate given the significant changes in the organisation and through partnership arrangements with third parties.</p> <ul style="list-style-type: none"> ➤ oneSource Joint Committee established. ➤ One Oracle – red risks identified with programme board for resolution. ➤ Wider representation on Governance meetings. 	<p>Increased frequency is planned for review of governance framework.</p> <p>Audit and Risk work planned.</p> <p>New management Structure to be embedded.</p>	<p>Chief Executive</p>

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Significant Issue and action already taken	Planned action	CMT Lead
<p>4. Compliance – ensuring that policy, procedure and roles and responsibilities are fit for purpose, appropriately approved, clearly defined and communicated to and understood by all and that compliance levels are maintained during period of significant change and reduced capacity.</p> <ul style="list-style-type: none"> ➤ Awareness of issue and roles and responsibilities raised. ➤ Draft corporate policy framework has been produced that attempts to clarify definitions and approval routes. ➤ Management Development Programme has commenced. ➤ Review of policies. 	<p>Communications from Head of Human Resources and Organisational Development & Internal Audit.</p> <p>Corporate Management Team to consider compliance arrangements in context of governance framework.</p> <p>Governance Group to discuss the outcome of the review of policies.</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>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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