

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 2012 and up to the date of approval of this statement.

* Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives

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 and deliver the fundamental purpose of the organisation – to serve local people and make Havering a place where its residents are proud to live. The Council's Values are a key driver in the development of the new competency based appraisal framework which will be rolled out as part of the Council's Transformation Agenda. The Values are:

- One Council
- Learning from experience

- 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 new PDR process, which supersedes the PDPA 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 has for the past two years agreed its medium term approach in July, with further minor refinements in February, following the announcement of the local government financial settlement. These proposals

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were subject to review by Overview & Scrutiny Committees, as well as consultation with the local community where appropriate.

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 and the systems are reviewed at least every three years 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. Compliance with the various financial rules and regulations is monitored by Management and considered during audits of systems and processes

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 2011/12 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. The Statutory Officers also provide advice to Members at all appropriate times. Statutory appointments have been made for Adults and Children and a Cabinet Member for Children has been appointed.

Internal policies and procedures exist to guide officers and ensure compliance with legislation and proper practice. Policies and procedures are reviewed at least annually.

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.

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.

The Council comes within the jurisdiction of the Local Government Ombudsman. In 2011/12, the Ombudsman made one finding of maladministration by the Council: the Ombudsman has approved the action taken by the Council to remedy the maladministration.

Training and Development

The Council has a commitment that every member of staff has a review and annual appraisal to discuss performance, targets and personal development. A new Learning and Development Strategy and Personal Development Review Framework have been developed during 2011/12 and will be implemented in 2012/13.

Training is provided to support the implementation of new systems, a variety of methods are applied to suit different individuals. In 2011/12 significant training was provided to enable staff to use the new Oracle system and to facilitate its' use by managers in the delivery of their services.

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 includes are tailored to their role. In 2011/12 the Governance Committee approved an amendment to the Constitution that requires all Audit and Pensions Committee Members and their nominated substitutes to be appropriately trained to remain on the Committee.

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) 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.

Partnerships

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 shadow 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.

A partnership toolkit was developed by the Council in 2009 to log and rank the partnerships to which resources are applied. The toolkit aims to promote a consistent approach to partnership working across the organisation and provide guidance and support to officers regarding the Council's requirements regarding Governance issues.

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.

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), consisting of the Chief Executive, the Assistant Chief Executive, who has responsibility for Legal & Democratic Services, and the Council's three Corporate

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Directors overseeing Finance & Commerce; Social Care & Learning and Culture & Community, who take an active interest in Governance issues.

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.

Audit Committees

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.

Standards Committee

The Standards Committee is made up of nine councillors, other than the Leader and limited to only one Cabinet member, and three independent members i.e. individuals who have not been councillors or employees of the Council in the last five years or are a close relatives or friends of anyone who has. This Committee has a role in promoting and maintaining high standards of conduct by all members of the authority.

In accordance with the requirements of the Localism Act 2011, the Standards Committee will be abolished once any work outstanding as at 1 July 2012 has been disposed of. On 1 July, the Governance Committee will assume responsibility for maintaining Members' standards of conduct.

Overview and Scrutiny

The overview and scrutiny function reviews decisions made by Members. The focus of their role is to provide a challenge and to support the development of policies. At their meetings they have the opportunity to consider performance information; using monthly Members packs and other relevant performance data.

In 2011/12 specific activities, for example Day Opportunities for Learning Disabilities, were identified by overview and scrutiny and officers were asked to present performance and strategic information to task groups for discussion and challenge.

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 Finance and Commerce 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.

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. In 2011/12 a Corporate Leadership Team working group reviewed the arrangements in place and made recommendations to strengthen the Council's approach. The Corporate Risk Register is owned by the Corporate Leadership Team, twelve strategic risks are identified and currently being monitored.

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 2010/11 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 2010/11 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 2010/11 Annual Governance Statement, three, relating to Data Quality, Project Management and Contracts and Supply Chain Resilience, had been fully addressed at the end of March 2012. The remaining issue has wide reaching implications and, although significant progress has been made, it is felt that the issue remains open.

The remaining 2010/11 issue is therefore detailed below along with the further planned actions to ensure that focus on these areas is maintained throughout 2012/13.

Significant Issue and action already taken	Planned action	CMT Lead
<p>1. Information Governance</p> <ul style="list-style-type: none"> ➤ Officer Governance Group monitored work of Information Governance Group during 2011/12. ➤ Action plan in place. ➤ Included on Corporate Risk Register. ➤ Audit work underway. 	<p>Increased participation in Information Governance Group.</p> <p>Achievement of compliance with recognised Information Governance Toolkit.</p> <p>Awareness campaign and training.</p> <p>Further Audit work planned for 2012/13.</p>	<p>Group Director Finance & Commerce.</p>

In addition to this issue carried forward from 2010/11 the procedures to review and monitor Governance Arrangements to date in 2011/12 have highlighted three further issues:

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"> ➤ Transformation 2014 has established a range of corporately managed, programmes to deliver savings. ➤ Ongoing financial modelling and a risk-based approach to budget monitoring. ➤ Robust Risk Management and Governance processes have been implemented for transformation. ➤ Impact is assessed as part of process to achieve of savings. 	<p>Re launch of Risk Management approach for Service Areas to increase efficiency and communication of risk.</p> <p>Intelligence gathering leading to assessment of impact of proposed change to local government funding on corporate financial position</p>	<p>Group Director Finance & Commerce.</p>

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.</p> <ul style="list-style-type: none"> ➤ People and Change programme part of Havering 2014 Transformation. ➤ Focus groups established to monitor and assess impact of significant changes (Public Heath, Homes in Havering). ➤ Corporate Management Team assessing impact of legislative changes to ensure organisation is prepared. ➤ New Ways of Funding group set up to assess impact of changes in local authority funding 	<p>Review for Officer Governance Group to provide assurance.</p> <p>Work to continuously improve the Internal Shared Service.</p>	Chief Executive
<p>4. Fraud – ensuring new and existing systems and processes are not vulnerable to fraud risks.</p> <ul style="list-style-type: none"> ➤ Investigation and management action regarding 2011/12 incident. ➤ E Learning of Fraud and Corruption launched. ➤ Fraud Risk Assessment and action plan produced. ➤ Training Plan produced. 	<p>Implementation of training plan.</p> <p>Monitoring and review of Risk Assessment.</p> <p>Targeted proactive work.</p> <p>Restructure of fraud resources.</p>	Group Director Finance & Commerce.

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

DRAFT