

ANNUAL GOVERNANCE STATEMENT 2011/12

1. Scope of Responsibility

- 1.1 Harrow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk i.e. it is responsible for ensuring a sound system of governance.
- 1.3 The Council has approved and adopted a Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework '*Delivering Good Governance in Local Government*'. The code has been taken into account in drafting our constitution and a copy can be obtained from Harrow Council, Civic Centre, Station Road, Harrow, Middlesex HA1 2XF or from our website at: http://www.harrow.gov.uk/downloads/file/8017/part_5k-code_on_corporate_governance. The Code is reviewed and updated annually. This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 in relation to the publication of this Annual Governance Statement.

2. The Purpose of the Governance Framework

- 2.1 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 corporate priorities and consider whether those priorities have led to the delivery of appropriate, cost-effective services.
- 2.2 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 Harrow Council's policies, aims and objectives, to evaluate the likelihood of those risks being

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realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

- 2.3 The governance framework has been in place at Harrow Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3. The Governance Framework

Identifying, communicating and reviewing the authority's vision

- 3.1 Harrow Council's vision during 2011/12 was "Working Together: Our Harrow, our community". The vision was reviewed in February 2012 alongside the budget and the Council continues with the same vision and corporate priorities for 2012/13. Extensive consultation was undertaken through the Lets Talk programme and other consultations in 2010/11, which helped us to plan how the Council would achieve its Corporate Priorities and shape how we allocate the scarce resources available across the many needs of Harrow.
- 3.2 The priorities and priority actions set out in the corporate plan filter down the organisation hierarchically at Directorate, Service and individual plan levels. The priorities are communicated to residents through "Harrow People" magazine and the harrow.gov internet site.
- 3.3 During 2011/12 the Council wanted to enable residents to have the chance to become more active citizens by providing them with information, support and opportunities to contribute to the decision-making process and take a greater part in making Harrow better. The Council was ambitious about what could be achieved working together with residents, and in support of this, wanted to change the way the Council is run. Listening to what local residents want and say, to reform and modernise Council services whilst at the same time saving money and providing better services.
- 3.4 The Council made 2011 the year of the Community Debate and started by getting residents more involved in the delivery of services and in discussion on how the Council manage the very difficult decisions it has to make in the next few years. The Council feels strongly that residents' views should be heard and has committed itself to listen and involve them across all of our activities. The Council wanted the debate to mean something to residents and be about genuine participation. The Council wanted it to allow us to talk with residents about the hard choices that we will face. The Council wanted to understand how we can help and involve local people to do more for their communities that really matters and makes a difference. A number of major service specific consultations were undertaken during the year including Libraries, Children's Centres, Adult Services, Parks and Open Spaces and

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Leisure Facilities and Museums. 2011 was therefore set out as the year of Community Debate.

- 3.5 Residents' views on progress against priorities were measured through the Involvement Tracker in 2011 and the Residents Panel.
- 3.6 The Better Deal for Residents (BDfR): Shaping Harrow for the Future programme, agreed by Cabinet in July 2010 was a three-year savings programme to position the Council as a more efficient and effective organisation that can live within its means. The BDfR programme has brought innovation and change in the manner and scale of services offered to meet the changing needs of residents and will deliver £31.4m of savings. This programme was effectively completed in 2011/12 and a new programme, Transformation 2, has been developed containing major projects identified in the budget for 2012/13.
- 3.7 The Council is now embarking on a thorough review of all of its services with each directorate setting out their vision for their services over the next three years within the context of reduced resources. A number of different options for service delivery are being pursued, and are set out in the budget, and in the Corporate Plan.
- 3.8 Six improvement boards, which cover all areas of the Council, oversee all improvement initiatives across the Council, and the Corporate Strategy Board (CSB) has quarterly performance monitoring meetings scheduled throughout the year. CSB has been restructured for 2012/13 and membership is being reduced to consist of the Council's 4 Corporate Directors including the section 151 officer, and the Assistant Chief Executive, and is chaired by the Chief Executive with the Director of Legal and Governance attending as necessary.
- 3.9 Progress towards the Council's corporate priorities is regularly monitored by the improvement boards, Corporate Strategy Board (CSB), the Executive (Members of the Cabinet, consisting of the Leader of the Council and nominated Portfolio Holder Councillors) and the Overview & Scrutiny Committee. Improvement boards also monitor risks to the achievement of Directorate objectives each quarter and these are reported to the quarterly CSB performance morning meetings.
- 3.10 The Executive meets monthly and the Corporate Strategy Board meet weekly to monitor performance and to consider the key risks to the achievement of those objectives. There are also six weekly 'leadership meetings' between CSB and Cabinet Members.
- 3.11 The corporate priorities which support the Council's vision are reviewed annually and the priorities for 2011/12 were:

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- Keeping neighbourhoods clean, green and safe
- United and involved communities: a Council that listens and leads
- Supporting and protecting people who are most in need
- Supporting our Town Centre, our local shopping centres and businesses

Measuring the quality of services and ensuring best use of resources

- 3.12 The Council has an integrated planning and budget framework to develop its Corporate Plan and Medium Term Financial Strategy each year, and monitor performance against plans and budgets. The direction provided by the Corporate Plan and the Medium Term Financial Strategy is cascaded through directorate service improvement plans down to service development plans and then to personal development plans and Individual Performance Appraisal & Development (IPADS) for individual staff.
- 3.13 Performance against plans, key indicators and targets and budgets are monitored during the year by Directorate Management Teams, quarterly Improvement Boards and CSB. There are quarterly monitoring reports to Cabinet on both the budget and performance using a balanced scorecard approach covering projects, budgets, risks, workforce performance, complaints, debt and VFM.
- 3.14 The Council has made considerable progress to improve its financial position and financial management in the last 3-4 years. This has involved much more robust medium term planning, an increase in the number of qualified finance staff, training for budget holders.
- 3.15 The extent of the cuts to public sector spending and the Government's agenda for public service reform mean that the Council is thinking about its future shape and size; how the Council delivers services in collaboration more with partners and residents and bring about a new relationship that has the potential to unlock major savings. Proposals for the future scope of Council services were reviewed during the 2011/12 budget planning exercise via commissioning panels in each of the major service areas. In response to these challenges, the Council are bringing more projects into a new, second Transformation Programme.
- 3.16 CSB met monthly as a Transformation Board to monitor projects under the Better Deal for Residents Programme throughout 2011/12 and will continue to meet in this way to monitor the second Transformation Programme.

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3.17 The Council's External Auditors are required to issue a value for money ("VfM") conclusion within their report on the financial statements. From 2010/11 their statutory VfM conclusion was based on two criteria specified

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by the Audit Commission: the organisation has proper arrangements in place for securing financial resilience; and the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness. An unqualified value for money opinion was issued and the External Auditors were satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011. (This is the latest VfM conclusion available as external audit work is only begun after the closure of accounts each year i.e. for 2011/12 the work will begin in June 2012 and the VfM conclusion will not be published until January 2013.)

- 3.18 On 23rd June 2011, Harrow Council won the Best Achieving Council in the UK award at the Municipal Journal awards. This award is the top award available for local government and shows just how far the Council has come in a few short years. The Council had further success at this year's awards winning the 'Transformation through IT' award and the Council's Adult Services Department was also highly commended and named runner-up in the 'Redefining Quality in Adult Services' category.

4. Defining roles

- 4.1 The Council's constitution describes the role and terms of reference of Members, the Executive, Portfolio Holders, Mayor, full Council, the Standards Committee and the Overview and Scrutiny Committee. The Constitution is a public document available to the public and staff on the Council's internet site at http://www.harrow.gov.uk/info/10016/council_documents/919/the_constitution.
- 4.2 Officer responsibilities are also set out in the Constitution, including the Chief Executive, Corporate Directors and Statutory Officers. This includes the various statutory responsibilities of these roles and role profiles of senior officers are in place and relevant officers have written delegated authority to undertake the statutory functions.
- 4.3 Democratic services maintain a register of Members' interests which is published on-line via the Council's web-site.
- 4.4 The Constitution is reviewed on an on-going basis, with full Council making amendments as and when required. During 2010/11 work began on a review of the Financial Regulations and an updated version was agreed in October 2011. Financial Regulations contain a Scheme of Delegation for Financial Transactions and in addition to this it is expected that directorates

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have a written directorate/service specific scheme of delegation in place, e.g. to cover HR responsibilities.

- 4.5 Annually Senior Managers are required to provide assurance that, in addition to the Corporate scheme of delegation covering finance, there is a written directorate/service specific scheme of delegation in place e.g. to cover HR responsibilities and that staff are complying with the requirements of the Council's Financial Regulations and Contract Procedure Rules. The results of the 2011/12 Management Assurance Exercise indicate that a local scheme of delegation is in place in 58% of areas across the Council and that staff are complying well with the Council's Financial Regulations in 85% of areas. Action planning is in progress to address and improve each of these areas for 2012/13.

5. Standards of behaviour and codes of conduct

- 5.1 Members and employees have clear codes of conduct, which set out expectations of behaviour and are regularly reviewed and re-issued. A training session organised by the Council's Legal and Democratic Service covering the code and social media took place in June 2011. The employee code forms part of the officer induction training.
- 5.2 A Standards Committee was in place during 2011/12 to ensure that individual Members upheld and exemplified good governance and behavior. Standards for England has been abolished by the Localism Act and this means that the Council will be able to choose whether or not to have a member code of conduct and a Standards Committee. A report went to Council in July 2012 establishing a new code of conduct for councillors and arrangement for dealing with alleged breaches.
- 5.3 Separate mechanisms for Members and Officers are in place in the event that the codes are breached and appropriate action is taken as necessary.
- 5.4 Registers of gifts and hospitality are held at Member and Officer level and reviewed regularly. Departmental Management Teams review the Officer registers at regular intervals. The Members' register is available on-line via the Council's web-site.
- 5.5 In September 2008 the Council adopted new Council values which apply to all employees and replace the previous competency framework for middle managers and above. The values set out expected behavioural standards within 6 themes known as the CREATE values:

- **Customer first;**
- **Respect;**

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- Engaged communication;
- Actively 'One Council';
- Taking responsibility;
- Energise and improve.

5.6 A new suite of employment policies were prepared during 2007/08 and introduced from April 2008 which includes key HR policies for dealing with conduct, capability, grievance, and harassment issues. These have been communicated to managers and are available on the Council's intranet site together with the full range of HR policies.

5.7 Complaints **to add commentary in final.**

6. Decision making

6.1 Decision making arrangements are set out in the Constitution which governs the conduct of the Council's business and includes Contract Procedure Rules and Financial Regulations. The Council operates a Leader and Cabinet (Executive) model of decision making. Although some decisions are reserved for full Council, most are made by the Executive or by Committees, Sub-Committees or officers. The Constitution details those decisions that may not be taken by the Executive and those decisions that have been formally delegated to officers. The powers delegated to individual Portfolio Holders are also set out in the Constitution.

6.2 The Executive is responsible for the implementation of policy and ensuring the effectiveness of service delivery and forthcoming Executive decisions are published on the Forward Plan which sets out all future key decisions that may be made within the following four month period.

6.3 Members are required to make sound decisions based on written reports which are prepared in accordance with report writing guidelines and all Cabinet reports have to be cleared by officers in Finance, Legal Services, Performance Management and Environment together with the relevant Portfolio Holder. Reports must pay due regard to equalities issues, crime and disorder implications, and risks.

6.4 The Executive receive a briefing (Cabinet Briefing) approximately two weeks before the formal Cabinet meeting date when Members can ask detailed technical questions of officers. A Member Development programme is in place to support Members and provide them with information and the skills to make effective decisions.

6.5 In accordance with the Local Government Act 2000 the Council has mechanisms in place to allow the effective, independent and rigorous

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examination of the proposals and decisions by the Executive. These mechanisms involve the Overview and Scrutiny process and call-in. The Overview and Scrutiny Committee is responsible for overseeing a targeted work programme that can help support service improvement through an in-depth investigation of performance and the development of an effective strategy/policy framework for the council and its partners. This includes consideration of the Corporate Plan, and the Medium Term Financial Strategy. The Performance and Finance sub-committee is the scrutiny body responsible for monitoring the performance of the council and its partners in relation to their stated policy and priorities.

6.6 The Overview and Scrutiny Committee produce an annual report on work they have undertaken over the year and for 2011/12 it states that the committee met 12 times and considered a wide range of issues:

- Community Safety Plan
- Safer Harrow Annual Strategic Assessment
- Transfer of Harrow High Schools to Academies
- Integrated Targeted Children's Services Model
- Schools Place Planning
- Development of the Council's Property Assets
- Implications of the 'Birmingham Judgement'
- Adults', Children's and Corporate Complaints
- West London Waste Plan
- Strategic Overview of Support to the Voluntary Sector and Update on the 3rd Sector Strategy
- Strategic Approach to the Future Provision of the Library and Sports Service
- Corporate Equalities Objectives

6.7 The report went on to state 'The council is facing challenges on many fronts and we therefore took the decision to have a more fluid and flexible approach to the development of our work programme and not tie ourselves down to a predetermined annual review programme. As a result we have been able to respond as necessary to support the organisation to rise to its current challenges'.

6.8 All formal meetings are clerked by trained and experienced Democratic Services Officers who also provide advice on constitutional procedure. Lawyers are present when appropriate to provide advice on law and all committee reports for decision must have legal and Finance clearance before they are published.

7. Internal Control and Risk Management

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- 7.1 Internal control refers to the systems devised by management to guard against risk and promote achievement of objectives. More specifically, internal controls promote:
- achievement of business objectives and performance standards;
 - compliance with plans, policies, procedures, codes of conduct, laws and regulations;
 - the reliability, integrity, timeliness and usefulness of information;
 - the legality of transactions and compliance with approved budgets and procedures; and
 - the safeguarding of people, property, finances, services, continued operations and reputation.
- 7.2 Internal controls are an essential part of the Council's risk management arrangements and are required to be reviewed on a regular basis by management under the Council's Financial Regulations. Control systems provide for clarity of policies, objectives, targets, responsibilities and accountabilities, and appropriate authorisations and approvals, separation of duties, level of internal check, management information and physical safeguards.
- 7.3 The Corporate Director of Resources and the Assistant Chief Executive are responsible for assisting the authority in putting in place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with all applicable statutes, regulations and codes of practice.
- 7.4 The Council has a duty to manage its risks effectively and this is achieved through a consistent corporate process in a hierarchical series of risk registers. A risk management strategy is reviewed and agreed by the Executive each year. The Corporate risk register is reviewed by the Corporate Strategy Board on a quarterly basis. All Directorates have risk registers and these are reviewed by Directorate Management Teams regularly and the Improvement boards quarterly. In 2011/12 a new risk appetite statement was developed and approved by the Executive in accordance with the new UK Corporate Governance Code.
- 7.5 The Corporate Risk Steering Group, consisting of nominated directorate risk champions and chaired by the Assistant Chief Executive, met 4 times during 2011/12 and provides challenge on the robustness of the strategic and corporate operational risk registers and the adequacy of controls to mitigate the risk.

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- 7.6 All risk registers identify risks to the achievement of objectives, the impact and likelihood of current and target risk scores, mitigating actions to control the risks and assign risk owners/champions and control owners.
- 7.7 Business as usual projects are managed through the corporate risk management process, with dedicated risk registers in place to ensure risks are being managed throughout the life of a change programme/project. The 2011/12 Management Assurance Exercise confirmed that risk assessment and management is embedded and working well in 97% of areas across the Council. Internal Audit 'reality testing' confirmed that major projects are recorded on the Council's project management software VERTO and the system ensures that a risk assessment is undertaken.
- 7.8 All committee reports requiring decisions are required to include commentary on the risks associated with the subject matter of the report so that Members can take informed decisions based on the balance of opportunities versus risks.
- 7.9 Internal Audit provided assurance to the Council on internal control and risk mitigation through the delivery of an agreed audit plan and follow-up reviews which accumulates in the provision of an overall audit opinion on the Council's control environment annually.
- 7.10 The overall audit opinion for the Council's control environment for 2011/12 was assessed as "adequate". The detailed report setting out the reasoning behind this assessment will be considered and approved by the Governance, Audit and Risk Management Committee (GARM) in September 2012.

8. Audit arrangements

- 8.1 The Council considers that it has an effective Internal Audit service provided by an in-house team, which operates in accordance with the standards set out in the CIPFA Code of Practice for Internal Audit for Local Government. (see section 1.4 Review of Effectiveness)
- 8.2 The Council's External Auditors, Deloitte LLP, rely on the Internal Audit team's work on the authority's core financial systems to inform their risk assessment that guides the external audit approach.
- 8.3 The Governance, Audit and Risk Management Committee undertake the core functions of an audit committee as identified in CIPFA's Guidance *Audit Committees – Practical Guidance for Local Authorities*. Its terms of reference which encompasses the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally, were reviewed and updated during 2010/11.

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8.4 Following a change of Chair and membership between the April and June 2011 meetings training was undertaken in June 2011 to ensure that all new members were aware of the role and responsibilities of the GARM Committee. The Chair and membership, although stable throughout the rest of the 2011/12 Financial Year, changed again between the April and June 2012 meetings and further training was undertaken for the members of the GARM Committee in June 2012.

9. Compliance with statute and internal policies and procedures

9.1 The Council's legal service tracks new legislation and keeps the relevant Directorate(s) informed of the implications for future service delivery. Corporate issues are discussed at the Corporate Strategy Board and Corporate Leadership Group.

9.2 All internal policies and procedures are contained on the Council's intranet site and communicated to staff. Compliance is monitored through Internal Audit reviews and specific monitoring at Directorate Management Team meetings and the quarterly improvement boards.

9.3 Key internal policies and procedures are readily available on the Council's Intranet site.

9.4 Serious breaches of policies and procedures are subject to the Council's disciplinary procedures and where necessary investigated by the Council's Internal Audit service which works closely with the Council's Corporate Anti-Fraud team who maintain the Council's Corporate Anti-fraud Policy and Corruption Strategy.

9.5 The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework.

10. Whistle blowing and complaints

10.1 The Council has a whistle blowing policy, publicised to staff and available on the intranet. The policy is primarily designed for staff to raise concerns but also explicitly encompasses contractors, councillors and agents outside the authority. A register of whistleblowing complaints is maintained by the Monitoring Officer and reported to the GARM Committee annually. During 2011/12 two potential whistleblowing complaints were received however neither of these met the criteria to be classified as a whistle blowing

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complaint as set out in the Council's whistle blowing policy. Both were however investigated and recommendations made for improvements.

10.2 The Council has a three stage complaints procedure for members of the public to complain about individual service areas. Details of the procedure and an online form are contained on the Harrow.gov website. Details of the Local Government Ombudsman Service are included and a printable information pack is available to download. The facility also enables members of the public to provide general comments and suggestions, or compliments.

10.3 The aim of the complaints procedure is:

- To provide an accessible means to all our customers who wish to express either satisfaction or dissatisfaction with a service they have received.
- To provide a fair, consistent and structured process for resolving complaints in a courteous and efficient manner.
- To enable customers to complain with the assistance of a representative or advocate if required.
- To record all complaints and compliments to help us analyse customer feedback and inform future service planning and delivery.
- To obtain records of complaints and compliments made so that regular reviews can be produced for internal performance monitoring and public accountability.

11. Training and development

11.1 The Council runs a Member induction programme for new Members and a development programme for all Members which has been given the Charter Mark. The latter consists of a schedule of events throughout the year in a variety of formats, including events led by key officers from across the organisation and quarterly update sessions to keep Members up to speed on significant changes and new developments.

11.2 A staff appraisal programme (IPAD) exists for all employees which is conducted on an annual basis with a mid year review. The process is formal with a corporate template designed to facilitate a review of staff performance and behaviour objectives and personal development and record agreement on future objectives and training and development needs. It enables a clear understanding of how each individual's work contributes to the Team, Service, Directorate and Corporate priorities. The 2011/12 Management Assurance Exercise highlighted that the appraisal process is working well in 94% of departments across the Council. Action was also identified in the action plan arising from the Staff Survey in November 2010

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and although an increased compliance was noted in the 2011 Staff Survey the IPAD process has been reviewed with senior management to address the cultural challenges in ensuring effective performance management. This includes re-designing the process to enable introduction of an on-line appraisal system (though this is subject to funding).

- 11.3 The appraisals process is monitored at Divisional Management Team level, at Council Improvement Boards, at CSB Performance meetings and as part of the annual management assurance exercise.
- 11.4 All Directorates have developed workforce strategies. Learning and development plans for staff are integral to these strategies, as are initiatives to provide career opportunities for existing staff within the Council and Directorates.
- 11.5 A Management Development Practitioners programme developed in 2010/11 was delivered in 2011/12. Alongside this the Corporate Leadership Group (CLG) development intervention took place investigating and improving the groups behaviours and ability to face difficult conversation on challenges facing the Council. During 2011/12 a new Corporate development programme was also designed and began delivery. Alongside this the HRD Team are investigating the use of a Learning Management System.
- 11.6 Most service areas have a budget allocated for training and development of staff. The 2011/12 Management Assurance Exercise identified that directorate 'budget spend on learning & development is known and the value obtained from the spend is analysed' is working well in only 42% of departments across the Council. It was further identified that although spend is generally known it is not being analysed to identify value obtained in all areas across the Council. This will be picked up in the relevant directorate action plans and also in the preparation for the core IIP standard.
- 11.7 During 2011/12 the Chief Executive's and the Housing departments were awarded the Investors In People (IIP) Gold and the Legal & Governance Service were awarded core IIP in 2009 with the addition of Health & Wellbeing in 2010. The whole Council are currently preparing for accreditation in the core IIP standard.

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12. Communication and consultation

12.1 The Council launched a new corporate consultation strategy in 2008/09 to ensure that there is a joined-up co-ordinated approach to consultation with local people at Harrow Council and the HSP. Consultations are managed through a number of channels, including the Residents Panel and the Council magazine "Harrow People", which is delivered to every household in Harrow six times a year, and is used to communicate important messages to residents. Consultation on the Council's Transformation 2 programme is co-ordinated through the Better Together Board.

12.2 Internally a variety of media are used to keep staff informed of developments and important information. These range from communications e-letters to poster campaigns, "The Arrow" internal newsletter, the 'Grapevine' an e-newsletter, the Chief Executive's newsletter and staff forums held jointly by the Chief Executive and Leader of the Council when all staff are able to attend and ask questions, as well as managers' conferences.

12.3 The Council's communications strategy, the Council's Involvement and Reputation Plan was reviewed in May 2011 and again in March 2012.

12.4 Protocols for 2 way communication between the Council and the Trade Unions are well established.

12.5 All Committee meetings are held in public except where items on the agenda are exempt from publication due to confidentiality.

13. Partnerships

13.1 The Local Strategic Partnership in Harrow is called the Harrow Strategic Partnership (HSP). The HSP brings together a group of people who represent the statutory, private, business, community and voluntary sectors in Harrow. The HSP constitution and protocols provide details on the governance of the partnership and the structure and function of the HSP.

13.2 Community views and partners data are used by the partnership to shape and influence the borough's priorities in the Sustainable Community Strategy and the Harrow Compact sets out the agreement on how statutory partners interact with the voluntary and community sector.

13.3 The Sustainable Community Strategy provides the partnership with a shared vision for the future of Harrow, and is delivered through the three year Local Area Agreement that ran until March 2011.

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- 13.4 There will not be an LAA in the future as the Coalition Government has abolished the CAA and reduce the reward grant in-year. There is an ongoing debate throughout local government about the role of partnerships without the driver of LAAs. However, the council adopted new priorities for the partnership in April 2011 and is working up targets and action plans supported by the last receipt of the Reward Grant. Looking at partnership working going forward the Council has observer status on the Community Budget Programme, the Health and Well Being Board and the Clinical Commissioning Group.
- 13.5 The Council has engaged a number of commercial partners to support the delivery of services, from a business transformation partner to construction and infrastructure partners. The partnerships have been secured under framework agreements and are subject to strong governance and accountability processes. Annually, via the Management Assurance Exercise, senior managers are asked to provide assurance on these governance arrangements. The 2011/12 Management Assurance Exercise highlighted that robust governance arrangements are in place with partners in 61% of departments across the Council with 39% of departments working towards this. This reflects the number of new partnerships which are still at an early stage of development. Action plans are being developed with the departments concerned to improve and monitor this percentage during 2012/13.
- 13.6 Directorate Service Improvement Plans are required to list key partnerships and to consider partnership risks. Joint risk registers exist with key commercial and public partners.

14. Review of Effectiveness

- 14.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have the responsibility for the development and maintenance of the governance environment, the Corporate Governance Group, the Corporate Governance Working Group, the Internal Audit annual report, and also by comments made by the External Auditors and other review agencies and inspectorates.
- 14.2 The process and activities that have been applied in maintaining and reviewing the effectiveness of the governance framework in the 2011/12 year are described below.

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The Council

- Approved the policy framework and the annual revenue and capital budget;
- Contributed to the good governance of the Council and maintained the highest standards of conduct and ethics through the role of Councillors;
- Aimed to govern within a framework of fairness, openness, integrity and accountability and provided excellent standards of ethics and probity in decision making.

The Executive

- Made decisions in accordance with corporate priorities;
- Allocated responsibility for Member Portfolio Holders to specific areas of responsibility;
- Considered risks and opportunities as part of the decision making process;
- Monitored performance against the corporate priorities.

The Audit Committee (GARM Committee)

- Met 6 times during 2011/12 considered the work of Internal Audit during the year including mid year and end of year reports, considered the results of the management assurance exercise 2010/11 and will consider the results the 2011/12 exercise, approved the Internal Audit Annual work plan, the Internal Audit delivery plan and the Internal Audit strategy;
- Monitored the effective development of the Council's corporate governance framework;
- Used reasonable endeavours to review, and approve the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council;
- Reviewed and challenged the reports provided by External Auditors on behalf of the Audit Commission including the annual audit and inspection letter;
- Reviewed and approved the 2010/11 Annual Governance Statement and the supporting evidence and will review and approve the 2011/12 Annual Governance Statement and evidence.

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The Standards Committee

- Received reports from the Council's Monitoring Officer. It also considered and made decisions on allegations of breaches of the member's code of conduct.

The Overview and Scrutiny Committee

- Met 12 times during 2011/12;
- Supported the Council and Executive in developing the policy framework and budget for the Council and worked with partner organisations on issues that may be outside the remit of the Council;
- Considered the Council and its partners' performance against stated policy and priorities;
- Reviewed specific services by making reports and/or recommendations to the full Council, Executive, Portfolio Holders and any joint or area committees on any of their functions;
- Reviewed policy and decisions developed by others by reviewing and/or scrutinising decisions made or actions taken in connection with the discharge of the Council's functions;
- Reviewed issues of concern to local people by considering matters affecting the area or its inhabitants and monitoring and scrutinising the activities of others;
- Considered the Forward Plan prior to key decisions as appropriate.
- Issued an annual report on work they have undertaken over the 2011/12 year (see 1.6.6)

Internal Audit

- Provided assurance to the Council on operational and financial controls through the delivery of an agreed audit plan and follow-up reviews;
- Produced mid and end of year reports including the annual interim audit opinion on the Council's internal control framework;
- Supported the Corporate Governance Group and Corporate Governance Working Group;
- Provided assurance and advice to major project boards and partnership arrangements;
- Co-ordinated and reality checked an annual management assurance exercise the results of which will inform risk registers, corporate governance update reports, action plans and also this annual governance statement;

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- Co-ordinated and reviewed the process for the annual review of governance and contributed to the drafting of the annual governance statement;
- Implemented an escalation procedure to the Corporate Strategy Board and Audit Committee on audit reviews that gave rise to concern;
- Worked closely with the Corporate Anti-Fraud Team in relation to system controls and investigations to counter fraud;
- The Internal Audit plan for 2011/12 was approved by the GARM Committee in June 2011 and the Year-end report presented to the committee in June 2012 reported that 85% of the plan was completed by year-end and 100% will be completed in due course. This included all the key financial system reviews relied upon by the External Auditors. A total of 310 recommendations were made during the 2011/12 audit year to improve the control environment and 306 (99%) were agreed for implementation by the various managers;
- Of the 189 completed followed- ups of recommendations by Internal Audit during the year (to ensure that agreed recommendations had been implemented by management) it was found that 67% of the recommendations, still applicable, had been fully implemented and a further 31% were in progress or planned for implementation. Thus although, in due course, it is expected that 98% of agreed recommendations will be implemented there has been a slower than agreed implementation of 31% of the recommendations by management.
- Undertook work on the authority's core financial systems which the Council's external auditors, Deloitte LLP, place reliance for their risk assessment of the authority;

Corporate anti-fraud team

- Is currently reviewing and updating the Council's corporate anti-fraud policy;
- Investigated allegations of fraud both from external and internal sources;
- Worked closely with Police partners to secure convictions where appropriate;
- Published successful prosecutions as part of a deterrent communication strategy.

15. Management Assurance Exercise

15.1 The management assurance process was developed and introduced across the Council in 2005/06 (the 2004/05 exercise) and is now well embedded. The areas of assurance are reviewed and updated annually by Internal Audit and the Corporate Governance Group (an officer group of senior

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managers chaired by the Director of Legal & Governance). Additionally officers in key areas such as Risk, Performance, Health and Safety, Business Continuity and Information Management are consulted on the detail of specific assurance areas. The Corporate Governance Group (CGG) also identifies areas of assurance for specific reality testing to be undertaken by Internal Audit and this increases the reliance that can be placed on the exercise.

- 15.2 The management assurance process involves obtaining self-assessments supported by documentary evidence from third tier managers across the Council. These are then used to produce a statement for each directorate and an overall corporate statement that feeds into this Annual Governance Statement.
- 15.3 The management assurance exercise for 2011/12 was started in April 2012 and completed in August 2012.
- 15.4 Overall the 2011/12 management assurance exercise confirmed that 60% of the areas of assurance covered by the self-assessment process are working well across the Council i.e. above the assurance level set of 80% (these have either been given a green assurance rating or an amber if slightly down on last year's percentage). This is a 17% decrease on areas reported as working well in last year's exercise.
- 15.5 There are a range of explanations for this relating to the specific areas of assurance and these have been noted in the Management Assurance Report and on the Corporate Assurance Statement. More generally it reflects a greater self awareness and a stronger culture of compliance across the Council giving rise to more realistic assurance being provided. In addition small fluctuations on individual areas of assurance, either up or down, are to be expected each year.
- 15.6 Action points are in the process of being agreed as part of the management assurance statements signed off by the 3rd tier managers for all areas of assurance identified as working towards or where a gap was identified in 2011/12. These will be reviewed by the Corporate Governance Group to ensure that they adequately address the weaknesses identified and to determine if any corporate action is required to further support Directorates. Agreed actions will be integrated into the Improvement Board process and monitored during 2012/13 by Internal Audit, the Corporate Governance Group and the quarterly Improvement Boards.

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16. Results of the Annual Review of Governance

- 16.1 The annual review of the Council's governance arrangements and the annual management assurance exercise identified a number of governance issues for which detailed action plans are being developed.
- 16.2** The year end update of the 2010/11 AGS Action Plan shows that the governance gaps identified in 2010/11 were closed fully or partially in 2011/12 for 62% of gaps identified (this is an improvement of 7% on those fully or partially closed for 2009/10). Five gaps from 2010/11 have been carried forward to the 2011/12 AGS Action Plan.
- 16.3 The only significant gap relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10, 2010/11 and 2011/12. There are arrangements in place to meet this requirement however the main project to support this is the migration of the council's IT applications to the Capita West Malling site, which was due to commence in September 2011 on a phased programme to be completed in April 2012. This programme has been delayed and is now due to be in place during 2012/13. A plan is now being put together to test disaster recovery of the systems as they stand. There is a continuing risk until this project is complete although the wider business continuity plan takes this into account and the risk is no greater than it has been historically over a number of years.
- 16.4 Three new gaps have been identified through the annual review of governance process, although none are considered significant by CGG, actions are in the process of being agreed to address these and will be shown in 2011/12 AGS Action Plan.
- 16.5 Each year the Council undertakes a robust evidence based review of its governance arrangements. Overall the annual review of governance for 2011/12 and to date evidenced that sound governance arrangements are in place cover the six core principles of governance as described in the Council's Code of Governance.

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17. Declaration

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

Signed

.....
Councillor Bill Stephenson
Leader of the Council

.....
Michael Lockwood
Chief Executive

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