ANNUAL GOVERNANCE STATEMENT 2012/13

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 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 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 2013 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1   The key elements of Harrow's governance framework are set out in our Code of Corporate Governance. A brief description of them is contained in the following paragraphs.

3.2   The Council's Corporate Plan 2012/13 sets out the vision for the Council. The plan was underpinned by engagement with the community including (for example) in depth consultation about the future of adult social care services, engagement on the development of a master plan for the Heart of Harrow and a programme of "Lets Talk" events.

3.3   The Corporate Plan sets out the following four Corporate Priorities:
- Supporting and protecting people who are most in need,
- Keeping neighbourhoods clean, green and safe,
- United and involved communities, and
- Supporting our town centre, our local shopping centres and businesses.
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3.4   The vision and priorities are reviewed annually. In addition a further fifteen outcomes have been agreed as part of the Corporate Priorities for 2013/14 which build on these priorities as detailed in the Corporate Plan 2013-2015 and agreed in February 2013.

3.5   Harrow Council works in partnership with many different organisations to deliver the best outcomes for our community. The constitution for the Harrow Strategic Partnership identifies the role of the partnership as a conduit for change to improve the social, economic, environmental, health, education, and community safety needs of the communities of Harrow. The Partnership priorities are reviewed regularly and currently include:

- Public Service Integration and Joint Service Delivery
- Building Community Capacity
- Health
- Worklessness/Welfare

3.6   The Council has adopted a Commissioning Model which places emphasis on monitoring and evaluating the quality of the service provided (the

"review" stage of the cycle) and on gathering the views of service users in the "understand" phase of the cycle.

3.7   Directorates set out their evidence through Commissioning Panels (October 2011 for 2012/13) the output of which was published as part of the budget cycle. The Commissioning Panel Guidance asks how community engagement/customer research helped shape the proposals being put forward.

3.8   The authority strives to deliver best value for money to its residents by improving performance and minimising costs. A wide range of value for money (vfm) benchmarking information is used within the authority and work is undertaken with each directorate on cost and performance benchmarking as part of the planning and improvement cycle. This enables each directorate to understand where costs are high and feeds into service plans. Understanding of vfm strengths and weaknesses has been fundamental in Harrow's efficiency drive and its transformation programme. Each directorate is required to identify efficiencies and value for money improvements as part of their commissioning plans, agreed through the Commissioning Panels.

3.9   Allocation of Responsibilities of the Executive and the individual members are set out in the Council's Constitution. Minutes of all decisions made by the Executive and individual Executive members are available on the intranet and internet and records are maintained by Legal & Governance Services. The Council's Constitution includes details of Director responsibility, committee terms of reference and details of the statutory obligations (Chief Executive, Corporate Directors of Children's, Adult Social Services, Corporate Finance and Director of Legal and Governance Services).

3.10   Delegations are reviewed and approved annually. Matters specifically reserved for council and cabinet are reviewed and updated in accordance with legislation when issued. Delegations were last reviewed and approved by the Council on 23 May 2013.

3.11   A scrutiny function is in place which comprises an overview and scrutiny committee, a performance and finance sub committee, a health and social care sub committee and lead scrutiny councillors for:
- Health
- Community, Health and Wellbeing
- Children and Families
- Environment and Enterprise
- Corporate Resources

The function is driven by the need to hold the council and our partners to account both for their policy direction and performance and the establishment of the performance and finance sub committee is a key component in ensuring that the function is focused on the issues of the greatest importance to the council. The lead members ensure that expertise to tackle particular areas of service delivery is maintained, and fed into the work programme of the committees.

3.12   Standards of behaviour for members and staff are defined in their respective Codes of Conduct which are available on the intranet and used as a basis for training. Additionally the Council have established Standards Committee webpages which provide greater detail to the public on Member conduct generally.

3.13   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. The Council's Risk Management Strategy identifies and allocates risk management roles and responsibilities of council members, officers and partners. The strategy was last updated in October 2011 and will be reviewed and updated during 2013/14. 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 risk appetite statement was developed and approved by the Executive in accordance with best practice and this was updated in 2012/13. The statement outlines the nature and the extent of the significant risks the Council is willing to take to achieve its corporate priorities and is the means by which the Council seeks to ensure that these risks are properly and fully disclosed to Council stakeholders.

3.14   A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team.

3.15   The role of the Chief Financial Officer (CFO) was filled by an interim member of staff during the majority of the 2012/13 financial year and filled on a permanent basis in March 2013. However throughout this period the authority's financial management arrangements have conformed with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The CFO reports operationally to the Corporate Director of Resources and has direct access to the Chief Executive The authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. The Head of Internal Audit is a middle manager with extensive internal audit experience who has regular and open engagement with the Leadership Team and the Audit Committee.

3.16   The role of the Statutory Monitoring Officer is to report on likely contravention of any enactment or rule of law and the Statutory Monitoring Officer provisions are contained in Part 3 of the Constitution. Effective arrangements are in place to discharge the monitoring officer function via the Director of Legal and Governance Services. Similarly the arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role is fulfilled by the Chief Executive.

3.17   The Governance, Audit and Risk Management (GARM) 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 encompass the review and monitoring role of a range of risk related services, including monitoring performance on corporate governance generally. The GARM Committee is independent of the executive and scrutiny functions.

3.18   A whistleblowing policy exists and was last reviewed in July 2011. It is accessible on the intranet, covered in the Staff Handbook and referenced in the staff induction checklist. A complaints procedure is also in place and is available on the Harrow Council website (How to make a complaint). A review of complaints, including the number and reason for complaints, the timescales for resolution and the actions taken as a result forms part of the quarterly directorate Improvement Board reports.

3.19   A Member Development Programme is in place that includes mandatory training on their statutory role. Access is available to all members via e-learning. During 2012-13 the Member Development Programme was assessed under the Member Charter Mark process and an improvement report completed as well as an evidence file of current programme achievements and feedback. This work is leading to improvements in the Member Development programme and in member induction. Directorate Learning and Development Plans for staff are produced annually and ensure the 'golden thread' between the Council's vision and objectives, through to Service Planning and individual objectives for staff. For 2012/13 a new Corporate development programme was designed and began delivery with a new programme being rolled out quarterly. This has led to an improved attendance at corporate training events.

3.20   The Council's Involvement Tracker seeks residents' opinions on a wide range of service and community issues, the Council's Residents' Panel provides for structured engagement and Service User Groups are in place in some Directorates for example, Neighbourhood Champions and Park User Groups in Environment and Enterprise. Harrow's Community Involvement Toolkit provides practical advice and guidance including how to engage "seldom heard" groups and a consultation portal is used to co-ordinate consultation activity across the Council. In 2013/14 the corporate

responsibility for consultation has moved to the Council's Communications team, which will enable a greater consistency on the approach and delivery of communications.

4. Review of Effectiveness

4.1 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, assurance provided by managers via the annual Management Assurance process, 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.

4.2 The effectiveness of the governance framework has been evaluated by:

- Undertaking an annual review of governance arrangements in place against the Council's governance framework as reflected in the Code of Corporate Governance;

- Considering the Head of Internal Audit's overall annual opinion on the adequacy and effectiveness of the authority's control environment;

- Undertaking an annual management assurance exercise to obtain assurance on the operation of key controls in place to manage the authority's highest corporate risks;

- Review of the overall assessment and the draft Annual Governance Statement by the Corporate Governance Group, the Corporate Strategy Board and the Governance, Audit & Risk Management Committee;

4.3 The results of the key elements of the evaluation of effectiveness are summarised in the following paragraphs.

5. Annual Review of Governance

5.1 The process employed for the annual review of governance was reviewed against new CPIFA guidance 'delivering good governance in Local Government 2012 Edition (published in November 2012) and revised accordingly.

5.2   The process involves demonstrating compliance with the principles of good governance through the identification of systems, processes and documentation that provides evidence of compliance with the authority's governance framework. The process is undertaken by the Corporate Governance Working Group.

5.3   The aim of the governance review is to demonstrate that the authority's governance arrangements are adequate and working effectively in practice and, where gaps in governance are identified that will impact on the authority's achievement of its objectives, that appropriate action is taken to improve governance in the future. To this end an action plan has been agreed as part of the annual review process which will be monitored throughout the coming year by the Corporate Governance Group and the Governance, Audit & Risk Management Committee.

6. Head of Internal Audit's Opinion

6.1   Internal Audit provide assurance to the Council on internal control and risk mitigation through the delivery of an agreed audit plan and a series of follow-up reviews which culminates in the provision of an overall audit opinion on the Council's control environment annually. The overall opinion is formulated from elements agreed as part of the Internal Audit Strategy.

6.3   The overall audit opinion for the Council's control environment for 2012/13 was assessed as "good". The detailed report setting out the reasoning behind this assessment was considered by the Governance, Audit and Risk Management Committee (GARM) in July 2013.

7. Management Assurance

7.1   A management assurance process has been in place at the Council since 2005/06. During 2012/13 this process was reviewed by the Corporate Governance Group and realigned with the Corporate Risk Register. The new process collates assurance provided by senior managers on the key controls in place to manage the authority's most significant (red) risks contained in the Corporate Risk Register.

7.2   The 155 key controls identified to manage the 17 red corporate risks were assessed by managers and assurance provided on whether they were operating throughout the year and effective in either reducing or managing the risk. Evidence was provided to support the assurance given.

7.3   Assurance was provided that 141 (91%) of the identified key controls were operating, 42 (30%) of which were effective in reducing corporate risks and 99 (70%) were effective in managing the corporate risks. Of the 17

corporate risks in scope the risk rating of 6 improved during the year, 7 remained the same and 4 deteriorated.

7.4   A number of factors impacted on 4 risks that deteriorated during the year including staffing levels, the change in the political make-up of the Council and resident satisfaction levels.   However there is not always a direct correlation between controls being in place and operating and an improvement in the level of risk as factors external to the Council, over which it has limited control, may also have an impact on the level of risk e.g. the economic environment; government policy; legislation.

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8. Declaration (Part I)

8.1   We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Corporate Governance Group and the Governance, Audit & Risk Management Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions are outlined below.

9. Significant Governance Issues

9.1   The review process for 2012/13 has identified 19 minor and 1 significant governance gaps of which 7 where carried forward from 2011/12.

9.2   A number of minor gaps identified relate to the need to review the following existing policies and procedures; Contract Procedure Rules; Corporate Anti-fraud policy; Risk Management Strategy; Whistleblowing Policy; Data Quality Procedures to ensure that they are up to date and cover new legislation/requirements.

9.3   Two of the minor gaps were previously considered significant and have now been down graded to minor as action has been taken to reduce the risks.

9.4   Only 1 significant governance gap has been identified which relates to the PSN Code of Connection which the Council is required to comply with to enable connection to Government systems via the PSN (Public Services Network). An application to stay connected was rejected on the basis that the scope, which covered the secure part of the network, was too narrow. The application is due to be re-submitted before mid October 2013 covering the whole network and work is underway to resolve known issues. If the application is rejected again and access to PSN is denied

this will impact on the Council's ability to provide Housing and Council Tax Benefits, Blue Badges and the work of the Corporate Anti-fraud Team.
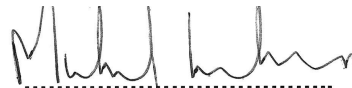
9.5   This is an issue impacting on a number of Councils across London and has been formally raised with London Councils.

9.6   An action plan has been agreed as part of this process to address the gaps identified to further enhance our governance arrangements.

10. Declaration (Part II)

10.1   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 the effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed: ....

Councillor Thaya Idaikkadar
Leader of the Council

Date: 6/9/2013

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Michael Lockwood
Chief Executive

Date: 06/09/13