

ANNUAL GOVERNANCE STATEMENT 2013/14

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

ANNUAL GOVERNANCE STATEMENT 2013/14

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 2014 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 vision and priorities are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2013/14 was agreed in March 2013. The plan was underpinned by engagement with the community including events to explain the budget and seek views from residents..
- 3.3 The Corporate Plan set out the following four Corporate Priorities for 2013/14:
- 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.
- 3.4 Although there was a change of Administration in May 2013 the corporate vision and priorities remained the same however a further change in Administration in September 2013 brought in a new Administration who agreed a new set of priorities in February 2014 of Cleaner; Safer; Fairer. These were agreed as new Corporate Priorities in February 2014 as part of the Corporate Plan for 2014/15. The draft budget was published in December 2013 with a view to seek external views on it before agreement in February 2014.
- 3.5 Following elections in May 2014 and a new Administration a new vision and priorities were agreed at Council on 12th June 2014. The vision and priorities are based on the new Administrations understanding of the views of local residents developed by listening to many people, from community groups, women's groups, businesses and trade unions over the last year in the run up to the local elections. These formed part of the Administration's manifesto which was publicly campaigned upon.

ANNUAL GOVERNANCE STATEMENT 2013/14

- 3.6 In October 2013 consultation was launched on the deletion of the Chief Executive post and a final decision taken to delete it and replace it with a Head of Paid Service combined with an existing Corporate Director post by Cabinet in December 2013 and ratified by full Council. The Chief Executive subsequently left the Council in February 2014 and the post was replaced on an interim basis by the Head of Paid Service and Corporate Director of Community Health and Wellbeing.
- 3.7 Harrow Council works in partnership with many different organisations, both public and private sector, to deliver the best outcomes for our community. For many years and for the first half of 2013/14 the Harrow Strategic Partnership (HSP) was in place as an umbrella conduit for change to improve the social, economic, environmental, health, education, and community safety needs of the communities of Harrow. This was supported by a number of key boards including the Health and Wellbeing Board (although technically the Health and Wellbeing Board did not report to the HSP), the Safer Harrow Board and the Harrow Chief Officers Group. Over the years, as the partnerships have developed, the need for an umbrella board has diminished and thus in September 2014 the Harrow Strategic Partnership Board was abolished to streamline the decision making and governance arrangements for our partnerships with other public sector bodies. The key boards will continue to lead on the governance of our partnerships.
- 3.8 The Council also has a number of shared service arrangements and commercial partnership arrangements in place to help deliver the best outcomes for our community in terms of costs and service delivery. Each of these have governance structures in place, designed as appropriate for the individual arrangement.
- 3.9 The development of the medium term financial strategy continues to be extremely challenging because:
- The Government's deficit reduction strategy is making significant reductions in the funding available to local authorities
 - Changes to the way the Government funds local authorities are transferring significant risks to local authorities that were previously borne by Central Government
 - Harrow is already a relatively low spending council
 - Considerable savings have been made in previous years and this makes it increasingly difficult to identify new areas for efficiencies and reductions
 - The demand for services from our residents and expectations from central government are growing all the time

ANNUAL GOVERNANCE STATEMENT 2013/14

During 2013/14 as part of its preparations for meeting savings targets in 2014/16 and beyond a number of projects were launched across the Council to review outsourcing, in house and shared services options for the delivery of services.

- 3.10 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 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 improvements as part of their commissioning plans, considered by the Commissioning Panels.
- 3.11 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 responsibilities, committee terms of reference and details of the statutory obligations (Head of Paid Service, Directors of Children's, Adult Social Services, Director of Public Health, Chief Financial Officer (S151 Officer), Monitoring Officer and Returning Officer).
- 3.12 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 June 2014.
- 3.13 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
 - 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

ANNUAL GOVERNANCE STATEMENT 2013/14

- 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.
- 3.14 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.
- 3.15 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 Corporate risk register is reviewed by the Corporate Strategy Board and the Governance, Audit and Risk Management Committee on a quarterly basis. All Directorates have risk registers and these are reviewed by Directorate Management Teams regularly and the Improvement Boards quarterly.
- 3.16 A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team.
- 3.17 The role of the Chief Financial Officer (CFO) was filled on a permanent basis in March 2013. Throughout 2013/14 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 to the Chief Executive (Head of Paid Service) on matters relating to his statutory role. The CFO sits on the Corporate Strategy Board. 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.
- 3.18 The Council's top management team form the Corporate Strategic Board (CSB). In 2013/14 we have strengthened the authority's governance arrangements by making the statutory directors of Legal, Finance, Adults and Public health members of the Board. CSB meets regularly to discuss future strategy, major change, cross council issues and the medium term financial strategy (MTFS). In addition the board meets more frequently as the Statutory Directors Board (SDB) to deal with operational matters e.g. Cabinet reports, performance, operational and service changes, and financial monitoring. SDB comprises members of CSB as well as the

ANNUAL GOVERNANCE STATEMENT 2013/14

- following statutory officers: Director of Adult Social Services and Director of Public Health. On a quarterly basis, SDB holds a performance morning to review service and financial performance information, risk and programme monitoring etc.
- 3.19 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. The arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role was fulfilled by the Chief Executive until February 2014 and by the interim Head of Paid Service for the rest of the year and to date.
- 3.20 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. The membership of the committee was stable throughout the year although the Chair changed in July 2013. As the political make-up of the Council changed in May 2014 the GARM Committee membership will change. This will be managed by providing general and specific member training to committee members to enable them to fulfil their role.
- 3.21 A whistleblowing policy exists and was last reviewed in 2013/14. 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.
- 3.22 A Member Development Programme is in place that includes mandatory training on their statutory role. Access to development is also available to all members via e-learning. Monitoring of the Member Development Programme and evaluation of development activities is undertaken quarterly by the Member Development Panel, leading to improvements in the Member Development programme and in member induction. 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 2013/14 a new corporate development programme was designed and launched, with

ANNUAL GOVERNANCE STATEMENT 2013/14

- improved attendances. Each development activity is evaluated and the programme updated quarterly.
- 3.23 The Council's Involvement Tracker seeks residents' opinions on a wide range of service and community issues. Service User Groups are in place in some Directorates for example, Neighbourhood Champions and Park User Groups in Environment and Enterprise; the Local Account Group in Adults Social Care and the Whitefriars sub-group of the School Expansion Programme Stakeholders Reference Group in Childrens. 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 moved to the Council's Communications team.
- 3.24 During 2013/14 an independent review was commissioned by the Council into allegations of institutional racism. A report was issued on the 11th April 2014 that concluded that there is no evidence of institutional racism at Harrow Council. However, it makes nine recommendations. The council is addressing these recommendations through its on-going work to improve equality and diversity within the organisation. The full report is available on the Council's Website:
http://www.harrow.gov.uk/news/article/193/report_published_into_claims_of_institutional_racism

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;

ANNUAL GOVERNANCE STATEMENT 2013/14

- 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 will be 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 and significant governance identified by this process will be outlined in paragraph 9.

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

ANNUAL GOVERNANCE STATEMENT 2013/14

opinion on the Council's control environment annually. The overall opinion is formulated from elements agreed as part of the Internal Audit Strategy.

- 6.2 The overall audit opinion for the Council's control environment for 2013/14 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 2014.

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. The process was further enhanced in 2013/14 to provide a narrative for each risk.
- 7.2 The 89 key controls identified to manage the 11 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.
- 7.3 Assurance was provided that 87 (98%) of the identified key controls were operating fully, 4 (5%) of which were effective in reducing corporate risks and 83 (95%) were effective in managing the corporate risks. The remaining 2 (2%) of controls were operating on a limited basis. Of the 11 corporate risks in scope the risk rating of 2 improved during the year, 7 remained the same and 2 deteriorated.
- 7.4 A number of factors impacted on the 2 risks that deteriorated during the year and 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.

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

ANNUAL GOVERNANCE STATEMENT 2013/14

addressed and those to be specifically addressed with new actions are outlined below.

9. Significant Governance Issues

- 9.1 The review process for 2013/14 has identified 1 significant governance gap and 14 minor gaps of which 12 were carried forward from 2012/13. The two new minor gaps relate to reminders to staff on the declaration of interests and the demonstration of staff satisfaction (already addressed as part of a recent staff survey). Significant progress has been made toward closing the majority of the carried forward gaps during 2013/14 in addition to closing the other 11 gaps, including 1 significant gap (PSN Code of Connection) identified as part of the 2012/13 process. However it has recently become apparent that there are potential issues again this year (2014/15) with the PSN Code of Connection that the authority are currently working towards resolving and hence this is again highlighted as a significant governance gap.
- 9.2 An action plan will be agreed as part of this process to address the gaps identified to further enhance our governance arrangements and progress reported to the GARMS Committee.

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 ...David Perry
Leader

...Paul Najsarek.....
Interim Head of Paid Service

Date04/09/14.....

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