

ANNUAL GOVERNANCE STATEMENT 2014/15

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 section 3 of 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://harrowhub.harrow.gov.uk/info/200190/audit/991/code_of_corporate_governance

This statement explains how the Council has complied with the code and the governance framework and also meets the requirements of regulation 6) of the Accounts and Audit Regulations 2015 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

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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 2015 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 In May 2014, a new Administration took control of the Council, and agreed at Council on the 12 June a new vision and set of priorities:

Vision: Working Together to Make a Difference for Harrow
Priorities: Making a difference for the vulnerable
Making a difference for communities
Making a difference for local businesses
Making a difference for families

- 3.3 The vision and priorities are based on the new Administration's 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.
- 3.4 The Council's strategic direction, its vision, priorities, core outcomes and key initiatives are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2015-2019 was agreed in February 2015 following further consultation and events involving residents and local organisations. Proposals relating to major financial and service decisions set out in the plan were consulted upon with residents through the Take Part Consultation.
- 3.5 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 was replaced on an interim basis by the Head of Paid Service and Corporate

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Director of Community Health and Wellbeing. In July 2014 the new Administration launched a consultation with Harrow Council staff, Councillors and the Trade Unions on the senior management arrangements of the Council. In September 2014, following the consultation, in which two thirds of the respondents expressed a preference for the re-instatement of the Chief Executive position; Cabinet resolved that the post of Chief Executive should be re-instated in the Council's management structure. An appointment was made and ratified by full Council on November 2014 and the position filled in February 2015.

- 3.6 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 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 have continued to lead on the governance of our partnerships.
- 3.7 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 has governance structures in place, designed as appropriate for the individual arrangement.
- 3.8 The development of the Council's 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
 - The Financial settlement continues to be on an annual basis making medium term financial planning difficult.
 - Harrow is already a relatively low spending Council

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- 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
 - Statutory guidelines around provision of many service areas and a demanding regulatory environment particularly regarding Ofsted
- 3.9 During 2014/15 as part of its preparations for meeting savings targets in 2014/17 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. All of these which had an impact on services to the public were consulted upon with residents through the Take Part Consultation.
- 3.10 The authority strives to deliver best value for money to its residents by improving performance and minimising costs. Each directorate is required to identify efficiencies and improvements as part of their commissioning plans, considered by the Commissioning Panels. The Council's Reputation Tracker in March 2015 showed the second highest residents' satisfaction score in eight years and 48% of respondents agreed or strongly agreed that the Council gives local people good value for money.
- 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

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- 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 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.
- 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, Risk Management and Standards Committee on a regular 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. During 2014/15 Fraud Governance was assessed using the CIPFA Fraud Governance Checklist and has been assessed as a Red/Amber assurance due to weaknesses identified in raising the awareness of fraud and identifying fraud risk across the Council. A detailed action plan will be agreed and implemented to address the weakness identified once a self-assessment against the new CIPFA Fraud Code has been undertaken.
- 3.17 Throughout 2014/15 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 was consistent throughout 2014/15 however following the post-holders departure in May 2015 the post has been filled by the officer who was previously the Deputy CFO. This has helped to provide a smooth transition and a consistent approach to the Council's finances. The CFO reports operationally to the Corporate Director of Resources and has the right of access to the Chief Executive and Leader of the Council as necessary or appropriate on matters relating to their statutory role. In

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- addition the CFO with the Monitoring Officer meets the Chief Executive on a monthly basis and 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). It is chaired by the Chief Executive and comprises the four corporate directors (three from June 2015 Cabinet), the Director of Legal Services and the Director of Finance. CSB meets fortnightly to discuss future strategy, major change, cross Council issues and the medium term financial strategy (MTFS). In addition the board meets fortnightly 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 following statutory officers: Director of Adult Social Services and the 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. During 2014/15 the Council entered into an agreement (agreed by Cabinet March 2015) with Buckinghamshire County Council and the postholder now works at the County Council 2 days a week and at Harrow Council 3 days a week. As the postholder is contactable 5 days a week and a Deputy Monitoring Officer is also in post this arrangement does not impact on the fulfilment of this Statutory role. The arrangements for the discharge of the Head of Paid Service is covered in the constitution and this role was fulfilled by the interim Head of Paid Service from April 2014 to February 2015 and the Chief Executive the rest of the year and to date.
- 3.20 The Governance, Audit, Risk Management and Standards (GARMS) Committee undertakes 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 GARMS Committee is independent of the executive and scrutiny functions. As the political

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- make-up of the Council changed in May 2014 the GARM Committee membership changed but has not changed significantly since.
- 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. All new and existing members elected in May 2014 were provided with training on the Code of Conduct, Register of Interests and the Council's Social media Protocol. 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. During 2014-15 the Council, following an external, independent assessment, received the Investors in People accreditation. The assessor highlighted the Council's significant commitment to wellbeing, communications, staff engagement and staff loyalty.
- 3.23 The Council's Reputation Tracker seeks residents' opinions on a wide range of service and community issues, there was only one survey carried out in 2014/15 following the appointment of the new communications supplier, Lambeth Communications. 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

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Harrow Council. However, it makes nine recommendations. The Council will now consider these recommendations and any actions which are necessary as a result of the report. 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

In May 2015 a report went to Cabinet providing an update of the Council's performance against its equalities agenda in the last twelve months (2014/15) as well as summarising the actions taken in response to the recommendations from the investigation commissioned in March 2014 into alleged institutional racism. Following the review the Council's Corporate Equalities Group started work on the action plan which culminated in the report to Cabinet. The Cabinet report is available via the following link:

<http://modern.gov:8080/documents/g62363/Public%20reports%20pack%20Thursday%2021-May-2015%2018.30%20Cabinet.pdf?T=10>

- 3.25 At Cabinet in June 2015 a Commercialisation Strategy was agreed as part of the response to addressing the Council's funding gap and a vision and a set of objectives were laid out for commercialisation. The Strategy also identified a number of priority opportunities for commercialisation and in July 2015 Cabinet agreed that the Council would set up a company to deliver services to customers for the purpose of generating revenue, a holding company to group the trading vehicles together and an LLP to hold certain property assets. This will result in the use of corporate vehicles wholly owned by the Council to deliver services, whether that is to third party customers for profit, or to the Council as a more efficient model for service delivery or investment. Quarterly financial and delivery plans for the companies will be presented to Cabinet along with audited annual financial reports.
- 3.26 Following consultation a new senior management structure was agreed by Cabinet in June 2015 that will enable the Council to better meet the significant challenges it faces and maximise the opportunities that are available to the organisation. The new structure will achieve a significant reduction in senior management revenue costs and more importantly the agreed proposals go beyond structural changes to also deliver service benefits to Harrow residents. Key highlights include:
- A co-ordinated commissioning arrangement across the Council;

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- Development and exploitation of commercial/business opportunities;
- To bring significant external investment into the Borough to contribute to the physical, social and economic regeneration of Harrow;
- To promote a step change in how the Council engages with and involves local people;
- To build some new cultural values that will underpin everything that we do but will also reflect the times and new challenges we now face. There is a need to embed a culture that encourages innovation, creativity and calculated risk taking and for us to become a more entrepreneurial and 'business-like' Council to reflect our greater emphasis on commercialisation;
- To require senior managers to be more effective leaders.

3.27 The 2014/15 Corporate Plan prioritised regeneration and a draft Regeneration Strategy for public consultation was agreed by Cabinet in December 2014. The draft strategy covers the period to 2026, setting out three core objectives:

- Place – providing the homes, schools and other infrastructure needed to meet the demands of our growing population and business base, with high quality town and district centres that attract business investment and foster community engagement;
- Communities - Creating new jobs, breaking down barriers to employment, tackling overcrowding and fuel poverty in our homes and working alongside other services to address health and welfare issues;
- Business - reinforcing our commercial centres, promoting Harrow as an investment location, addressing skills shortages and supporting new business start-ups, developing local supply chains through procurement.

An engagement programme with local residents is already in train, with a new Residents Panel formed to provide a continued dialogue with residents as the programme develops. This will be supported by a programme of site by site engagement as individual proposals are developed.

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

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development and maintenance of the governance environment, assurance provided by managers, 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;
 - 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 followed the CIPFA guidance '*delivering good governance in Local Government 2012 Edition (published in November 2012)*.
- 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 and any significant governance gaps identified by this process will be outlined in paragraph 8.

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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.
- 6.2 The overall audit opinion for the Council's control environment for 2014/15 was assessed as "good" however two reviews identified significant weaknesses in the Council's arrangements for Business Continuity/IT Disaster Recovery and the Council's IT Data Centre which could potentially have a major detrimental impact on the Council control environment if not improved. A detailed action plan is already in place for Business Continuity/IT Disaster Recovery and management are currently considering the IT Data Centre report. The detailed reasoning behind this assessment is covered in the Committee report for the AGS to be considered by the Governance, Audit, Risk Management and Standards Committee (GARMS) in September 2015.

7. Declaration (Part I)

- 7.1 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.

8. Significant Governance Issues

- 8.1 The review process for 2015/16 has identified a significant governance gap in relation to the combined impact of control weaknesses identified in the systems for Business Continuity/IT Disaster Recovery and the IT Data Centre (as recognised above in the HIA's Opinion). Whilst the likelihood of an IT disaster occurring is considered unlikely the impact could be significant given the control weaknesses identified. A detailed action plan is already in place and being implemented for Business Continuity/IT Disaster Recovery (and once fully implemented will close this element of the gap) and a plan is currently being developed for the IT Data Centre. In addition 10 minor gaps were identified.

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- 8.2 An overarching action plan will be agreed as part of this process to address the gaps identified to further enhance our governance arrangements.

9. Declaration (Part II)

- 9.1 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 David Perry
Leader

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Michael Lockwood
Chief Executive

Date

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