

ANNUAL GOVERNANCE STATEMENT 2015/16

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 2016 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 change of Administration led to a new vision and set of priorities agreed at Council on the 12th June 2014.
- 3.3 The vision and priorities are based on the elected 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 and priorities are reviewed annually and set out in the Corporate Plan. The Council's Corporate Plan 2016-2019 (the Harrow Ambition Plan 2020) was agreed in February 2016. It sets out the key activities and targets that will evidence delivery of the plan over the next three years. Together with the Final Revenue Budget 2016-17 and the three year Medium Term Financial Strategy (2016/17 to 2018/19), they outline what the Council intends to do and how it will do it.
- 3.5 The Council's vision: Working together to make a difference for Harrow; and its priorities; build a better Harrow; be more business-like and business friendly and protect the most vulnerable and support families, have been informed by historical consultation exercises as have some of the actions or proposals within the plan. Where necessary, further consultation will be undertaken with residents and communities to shape the delivery of the other proposals, in keeping with the ambition of the Administration to consult and engage.

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- 3.6 Harrow Council works in partnership with many different organisations, both public and private sector, to deliver the best outcomes for our community. Harrow Strategic Partnership (now disbanded in 2013) established the principles for partnership through its constitution. These have been taken forward through the 2 principal partnership bodies: the Harrow Safer Neighbourhoods Board and the Health and Wellbeing Board. Details of partnership arrangements, priorities and protocols can be found via the links on the Council's Web-site.
- 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 Central Government Financial Settlement has not moved fully to a multi-year Settlement and funding decisions are still notified very late in the budget setting process
 - Harrow Council remains one of the lowest funded councils both in London and nationally. 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
 - Of statutory guidelines around provision of many service areas and a demanding regulatory environment particularly Ofsted
- 3.9 During 2015/16 two consultations with residents took place, one on the Public Health Budget and the other on the future of 'The Bridge', a Mental Health Day Centre.
- 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. In the Council's Reputation Tracker at May 2016 56% of respondents expressed

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satisfaction with the Council. While this is in line with the average over 8 years, it is a drop on the result of 62% in March 2015 and reflects the challenging financial circumstances and impact on local services. There is a related drop in respondents who agree or strongly agreed that the Council provides good value for money – from 48% in 2015 to 29% in May 2016.

- 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 regularly reviewed and approved. Matters specifically reserved for Council and Cabinet are reviewed and updated in accordance with legislation when issued. Officer Delegations were considered by Council in February and December 2015 and Portfolio Holder Delegations were considered in May 2016.
- 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
 - Corporate Resources

The function is driven by the need to hold the Council and its 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.

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http://harrowhub/info/200293/values_and_behaviours/1088/code_of_conduct

- 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. During 2015/16 there was only limited review and update of the Corporate Risk Register due to resource constraints however a quarterly review has been re-instigated since quarter 4 of 2015/16. All Directorates have risk registers and these are reviewed by Directorate Management Teams and material changes reported to the Improvement Boards quarterly. During 2015/16 work began on the update of the Council's risk appetite statement, last updated in 2013/14, which defines the amount of risk that the organisation is willing to seek or accept in the pursuit of its long term objectives. This will be finalised and made public in the next few months.
- 3.16 A Corporate Anti-fraud Policy and Corruption Strategy is maintained by the Council's Corporate Anti-fraud team. During 2015/16 following a self-assessment against the new CIPFA Fraud Code a detailed action plan was agreed and implementation begun to address the weakness identified in raising awareness of fraud and identifying fraud risk locally.
- 3.17 Throughout 2015/16 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). 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 Commercial and has the right of access to Leader of the Council as necessary or appropriate on matters relating to their statutory role. In addition the CFO and the Monitoring Officer have open and free access to the Chief Executive. The Monitoring Officer meets with the Chief Executive as required and the CFO has a monthly 1:1 meeting with him. The CFO and the Monitoring Officer sit 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 (GARMS).

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- 3.18 The Council's top management team form the Corporate Strategic Board (CSB). It is chaired by the Chief Executive and since June 2015 comprises the three corporate directors, the Director of Legal Services, the Director of Finance (CFO), the Director of Public Health and the Director of Adult Social Services. CSB meets weekly (except the 1st Wednesday of the Month) to discuss future strategy, major change, cross Council issues and the medium term financial strategy (MTFS). On a quarterly basis, CSB 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 worked 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. This arrangement came to an end in June 2016. The arrangements for the discharge of the Head of Paid Service duties is covered in the constitution and this role is fulfilled by the Chief Executive.
- 3.20 The Governance, Audit, Risk Management and Standards (GARMS) 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 GARMS Committee is independent of the executive. As the political make-up of the Council changed in May 2014 the GARM Committee membership changed and was more recently updated when the Leadership changed in May 2016 with the addition of two new members.
- 3.21 A whistleblowing policy exists and was last reviewed in 2013/14. http://harrowhub/info/200293/values_and_behaviours/1091/whistleblowing 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.

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- 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. The Member Development Training Programme is reviewed quarterly by Democratic Services who ensure Members have access to appropriate training. During 2015/16 Members 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. A survey was carried out in March 2015 following the appointment of the new communications supplier, Lambeth Communications and the results used to develop the Communications Plan during 2015/16. A specific event was also run for Cabinet on the results of the research from the Reputation Tracker. 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. The survey was repeated in May 2016 - the results are currently being used in the development of services and to minimise negative impacts from the major financial pressures.
- 3.24 During 2015/16 a series of facilitated workshops were held with staff from across the Council to explore (using a tried and tested tool called the Competing Values Framework) how we currently work and the positive behaviours that staff see around the organisation that they want to keep and to think about the desired future culture and the shift in behaviours and values required to deliver it. A workshop was also held for elected members. From these workshops the following new values were agreed:
- Be Courageous
 - Do It Together
 - Make It Happen
- The values need to underpin everything that the Council does and have therefore been built into the new Harrow Ambition Plan. A 12 month long

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embedding programme has been designed and was launched at the managers' conference in March 2016.

- 3.25 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. Delivery against the Action Plan was regularly monitored by the Corporate Equality Group who also oversaw the review of the Plan and development of the new Corporate Equality Objectives and Action Plan agreed by Cabinet in April 2016.
- 3.26 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 with 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 to generate income, or to the Council as a more efficient model for service delivery or investment.
- 3.27 Following consultation a new senior management structure was agreed by Cabinet in June 2015. The new structure achieved 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;
 - 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.

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3.28 A draft Regeneration Strategy was approved for public consultation by Cabinet in December 2014. The draft strategy covers the period 2014 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 was undertaken, 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.

3.29 In June 2016 a Peer review was undertaken at the Council's request that covered:

- Our understanding of the local place and priority setting: Does the council understand its local context and place and use that to inform a clear vision and set of priorities?
- Our leadership of place: Does the council provide effective leadership of place through its elected members, officers and constructive relationships and partnerships with external stakeholders?
- Our financial planning and viability: Does the council have a financial plan in place to ensure long term viability and is there evidence that it is being implemented successfully?
- Our organisational leadership and governance: Is there effective political and managerial leadership supported by good governance and decision-making arrangements that respond to key challenges and enable change and transformation to be implemented?
- Our capacity to deliver: Is organisational capacity aligned with priorities and does the council influence, enable and leverage external capacity to focus on agreed outcomes?
- Regeneration: Does the council have the appropriate resources to enable delivery of its £1bn regeneration programme?

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- Commercialisation: Is the council doing the right things, with the right skills and capacity, in this arena? Is risk appropriately understood and managed?

As the Peer Review process has yet to be completed it is currently unclear whether any governance issues have been identified as part of the process, however the final report and any action plan to improve governance will be presented to Cabinet and published on the Council's web-site.

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, 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 and Standards Committee.
- 4.3 The results of the key elements of the evaluation of effectiveness are summarised in the following paragraphs.

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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 for any significant governance gaps identified by this process as outlined in paragraph 8.

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 2015/16 was assessed as 'good'. 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 2016.

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 and Standards 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.

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8. Significant Governance Issues

- 8.1 The review process for 2015/16 has not identified any significant governance gaps and only 6 minor gaps demonstrating an overall improvement in governance arrangements.
- 8.2 The significant gap identified in the 2014/15 AGS relating to the Council's arrangements for Business Continuity/IT Disaster Recovery and the Council's IT Data Centre has been closed following management action to address the weaknesses identified. An assessment of controls undertaken by Internal Audit following management action has provided a green assurance for both areas.
- 8.3 Of the 10 minor gaps identified in 2014/15, 5 have been closed, 2 remain but have improved and 3 remain.

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

Leader

Chief Executive

Date