The Draft Annual Governance Statement 2012-13

Contact Officer: Fran Beasley / Kevin Byrne
Telephone: 01895 250665

SUMMARY

1. An update on preparing the Annual Governance Statement (AGS) was last reported to the Committee on 12 March 2013. Steady progress has been made to deliver the key components feeding into the draft AGS, which has included collecting cross-council assurance statements. Currently, the Council is on schedule to publish the AGS alongside the Statement of Accounts in September 2013.

2. During March and April, all Deputy Directors and Heads of Service submitted governance assurance statements. Internal Audit conducted a detailed review of all submissions and supporting evidence, concluding that the Council has an effective internal control and governance system in place. The review process has highlighted a number of governance that are outlined in section 5 of the attached draft AGS (Appendix A).

3. A full draft 2012-13 AGS is attached for comment. This follows the CIPFA/SOLACE guidance framework and is based on evidence from the mapping exercise, the review of assurance statements and responses on internal control issues from the 2011-12 AGS.

REASON FOR REPORT

4. This briefing provides the Audit Committee with a progress update and presents a draft 2012-13 AGS for comment.

RECOMMENDATION

5. Members are invited to review the production of the draft 2012-13 AGS and offer comments on its content.

6. At this stage the AGS is draft and subject to possible amendment. The Committee will be invited to adopt the AGS once it is signed and agreed by the Leader of the Council and the Chief Executive, for publication alongside the annual accounts in September 2013.

London Borough of Hillingdon

Annual Governance Statement 2012-13

1   Scope of Responsibility

The London Borough of Hillingdon 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 London Borough of Hillingdon 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.

In discharging this overall responsibility, the London Borough of Hillingdon is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions that include arrangements for the management of risk.

The London Borough of Hillingdon is following a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *'Delivering Good Governance in Local Government'*. This statement explains how the authority has complied with the code and also meets the requirements of Regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

2   The Purpose of the Governance Framework

The governance framework comprises the systems, processes, 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 strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the London Borough of Hillingdon'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.

The governance framework has been in place at the London Borough of Hillingdon for the year ended 31 March 2013 and up to the date of approval of the Statement of Accounts.

3   The Governance Framework

The London Borough of Hillingdon has brought together the underlying set of statutory obligations, management systems and principles of good governance to establish a formal governance framework. The key elements outlined below demonstrate how Hillingdon maintains effective internal controls and an effective governance system.

1   **The London Borough of Hillingdon's Constitution**, sets out how the authority operates, how decisions are made, and the procedures that are followed to ensure that they are efficient, transparent and accountable to local people. The constitution is regularly reviewed at full Council meetings and also more comprehensively on an annual basis at each AGM.

2   Part 2 of the constitution outlines the **roles and responsibilities** of the Executive, Non-executive, Mayor, Overview and Scrutiny committees, Standards committee and officer functions. There is an ethical framework governing the conduct of members and co-opted members, introduced by the Localism Act 2011, which came into force on 1st July 2012. The governance arrangements for Hillingdon comprise:

- A structure of the Leader of the Council, a Cabinet and Policy Overview and Scrutiny Committees
- A Corporate Management Team
- Senior Management Teams
- The Audit Committee, led by an independent chairman
- Standards Committee and a Code of Conduct for Members and Co-opted Members

3   Part 2, article 7 of the Constitution sets out the **'Cabinet Scheme of Delegations'**. This governs the allocation of responsibilities and the discharge of executive functions by the Leader, the Cabinet and individual Cabinet members. This is regularly updated to reflect changes to Cabinet Member portfolio responsibilities in line with business priorities and Director's responsibilities.

4   Part 3 of the Constitution sets out the **'Scheme of Delegations to Officers'**. This governs the responsibility allocated to officers of the London Borough of Hillingdon to perform the authority's activities. This is periodically updated to reflect the changes to Director's responsibilities in line with business priorities.

5   Part 5 of the Constitution sets out formal **'Codes of Conduct'** governing the behaviour and actions of all elected Council members and Council officers. An updated 'Code of Conduct for Members and Co-opted Members' was adopted on 5 July 2012 to meet the provisions of the Localism Act 2011. The code ensures that councillors conduct themselves appropriately to fulfil their duties and that any allegations of misconduct are investigated. There is a separate 'Code of Conduct for Employees', which applies to all Council officers and is part of their contract of employment. The authority regularly reviews the code and guidance to ensure these requirements reflect changes to the Council structure.

6   **A Member training programme** is devised for each municipal year. Given that there is a new ethical regime in place for Members and Co-opted Members of the Council, training on the new Code of Conduct took place in the Autumn of 2012, delivered by the Borough Solicitor and Head of Democratic Services. Complaints about a breach of the Code will be handled in accordance with the requirements of the Localism Act 2011. A Whips Protocol has been introduced as part of the new framework and complainants are now expected to use it first, with complaints only to be escalated to the Monitoring Officer and Standards Committee if they cannot be resolved through this process. The Council has also put in place a comprehensive induction and training programme for elected councillors along with specific training on risk, scrutiny, planning and licensing rules.

7   **A Code of Corporate Governance** sets out the London Borough of Hillingdon's governance structure, decision making process and areas of responsibility. Originally adopted in 2002, the code reflects the authority's governance structure and corporate responsibilities, and is founded on the fundamental principles of openness, integrity and accountability and sets out the policies, systems and procedures in place to achieve this.

8   **A Member 'Register of Interests'** records the interests of elected members of the London Borough of Hillingdon. There is a separate 'Related Parties' register that members and senior officers are required to complete each year declaring the relationship and nature of any related party transactions, which the authority has entered into.

9   **A Member / Officer Protocol** to govern and regulate the relationship between the London Borough of Hillingdon's elected members and appointed officers. This has been developed in consultation with the political leadership, all Council members and officers.

10   **A formal whistle-blowing policy**, which is based on the Public Interest Disclosure Act 1998, allows Council staff and contractors working for the authority to raise complaints regarding any behaviour or activity within the authority, ranging from unlawful conduct to possible fraud

or corruption. The Monitoring Officer has overall responsibility for maintaining and operating the policy, along with reporting on outcomes to the Standards Committee.

11 **The London Borough of Hillingdon** has set out its vision of 'Putting Our Residents First' and established four priority themes for delivering efficient, effective and value for money services. The priority themes are; 'Our People, 'Our Heritage, 'Our Environment' and 'Sound Financial Management'. The delivery of these priorities will be achieved through a combination of strategic management programmes, which include: the Hillingdon Improvement Programme, Business Improvement Delivery programme and the financial and service planning process (Medium Term Financial Forecast).

12 **The Hillingdon Improvement Programme (HIP)** is Hillingdon's strategic improvement programme which aims to deliver excellence as set out in the Council vision – 'Putting Our Residents First'. The HIP Vision is to build a more customer focused organisation, to modernise business processes and to free up resources to provide improved services for our residents. HIP has helped to change the culture of the organisation and to improve the services delivered to residents. This can be evidenced through the high satisfaction rates received from residents about customer care, waste and recycling services, libraries, our primary and secondary schools and how well they feel informed, through regular feedback. HIP is consistently trying to improve Hillingdon by continuing to deliver a range of innovative projects, drive forward major cultural change and enhance Hillingdon's reputation. The programme is led by the Leader of the Council, and the Chief Executive and Corporate Director for Administration is the programme director. Cabinet members and directors are also responsible for specific HIP projects.

13 **The Business Improvement Delivery (BID)** programme is a key part of HIP and was been designed to fundamentally transform the way the Council operates. Through the programme, savings of £17.7 million were delivered in 2012-13 in addition to the £15.6 million and £26.2 million delivered in 2010-11 and 2011-12 respectively. The BID programme delivery and expenditure is overseen by the Leader of the Council, and the Deputy Chief Executive and Corporate Director of Residents Services.

14 **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding spring to February with a robust challenge process involving Members and Corporate Directors. Monthly reports on key financial health indicators are produced and communicated through the finance management team.

15 The **Sustainable Community Strategy (SCS)** sets out the Local Strategic Partnership aims and ambitions for the London Borough of Hillingdon over the next 10 years. The Local Strategic Partnership (Hillingdon Partners) has overall responsibility for the Sustainable Community Strategy; the priorities have been reviewed and updated to reflect the changing circumstances of the borough.

16 **Hillingdon Partners** reviewed its structure and governance arrangements following the abolition of the Comprehensive Area Assessment and the Local Area Agreement. The review agreed to focus partnership work around key priorities, and streamline delivery theme groups and arrangements for reporting partnership performance and risk.

17 **A Joint Strategic Needs Assessment** (JSNA) outlines the current and future health and wellbeing needs of the population over the short-term (three to five years) and informs service planning, commissioning strategies and links to strategic plans such as the Health and Wellbeing Strategy and the Sustainable Community Strategy. Following a redesign of the JSNA in 2011, further work has been undertaken to refresh the content in 2012 to reflect changes in regional and local data and to ensure it functions as a flexible and comprehensive needs assessment. The JSNA is 'live' and can be accessed via the Council's website and as such is updated throughout the year rather than refreshed annually.

18   **An independent Audit Committee** operates to oversee the financial reporting, provide an independent scrutiny of the financial and non-financial systems, and provide assurance on the effectiveness of risk management procedures and the control environment. The Audit Committee has been set up with terms of reference consistent with CIPFA's *'Audit Committees – Practical Guidance for Local Authorities 2005*.

19   The Performance Management Framework is a Council-wide framework requiring service areas and teams to set annual team plans, targets, identify risk and report performance against Council priorities and SCS priorities. Performance is monitored on a regular basis through a combination of reporting against service targets and performance scorecards, the results of which are regularly presented to Senior Management Teams and reported quarterly to the Corporate Management Team.

20   The London Borough of Hillingdon has established an effective **risk management system**, including:

   ● **A corporate risk management framework** outlining the, roles, responsibilities and processes for capturing, reporting and taking action to mitigate key corporate and directorate risks. Team, directorate and corporate risk registers enable the identification, quantification and management of risks to delivering the Council's objectives. Group risk registers are regularly updated, reviewed by each Senior Management Team and the most significant risks are elevated to the Corporate Risk Register. The framework is reviewed annually.

   ● **A Corporate Risk Management Group** (CRMG) reviews the risk registers on a quarterly basis and advises the Cabinet and Corporate Management Team on the significant risks. Twice annually, the risk reporting arrangements are reviewed and updated, if appropriate, by the Audit Committee. Where appropriate, the Medium Term Financial Forecast (MTFF) embraces the potential financial impact of significant risks.

   ● **Risk management training** is provided when required. An e-learning training package is in place and accessible for all staff and is included in the induction programme.

21   **Occupational Health and Safety Services** provide advice and support to the Corporate Safety Forum, Group Health and Safety Advisors and managers regarding health and safety issues. The Corporate Safety Forum assists in ensuring a consistent approach to health and safety management is adopted throughout the Council. It reviews health and safety performance across the Council and discusses matters of topical and strategic interest that have corporate health and safety consequences.

22   Through the **Hillingdon Information Assurance Group** (HIAG) the Council implements and review policies, procedures and training to ensure a high level of information security assurance and effective data and information management.

23   The London Borough of Hillingdon has **an Anti-Fraud and Corruption Strategy** approved by members and communicated to all staff. It is underpinned by and refers to the full range of policies and procedures supporting corporate governance arrangements such as Codes of Conduct, Standing Orders, Register of interests and whistle-blowing.

24   **The Committee Standing Orders** (Part 4B), Procurement & Contract Standing Orders (Part 4H) & Scheme of Delegation to Officers (Part 3) are incorporated in the Constitution and reviewed annually. The Scheme of Delegation specific to each directorate is available on the Hillingdon's internal web pages. In 2012 these schemes were reviewed and updated to account for changes to the Council structure and roles and responsibilities of Corporate Directors.

25   The London Borough of Hillingdon operates a system to **monitor legislative changes** and ensure that the authority is fully compliant with laws and regulations.

26   **Hillingdon's training and development programme** enables staff and senior officers to access and complete a wide range of learning and development opportunities through the internal Learning & Development pages on 'Horizon' to ensure they have the skills, knowledge & behaviours to deliver the Council's priorities. This includes induction programmes, e-learning packages and a range of vocational development courses under the Qualifications and Credit Framework. In addition, the Hillingdon Academy is now well established as a leadership programme aimed at providing the Council's future leaders. The Council also offers staff the opportunity to achieve professional qualifications and meet their continuing professional development (CPD) requirements.

27   The **Performance and Development Appraisal (PADA)** process, completed by all officers and senior managers, records employee's key objectives and tasks, sets targets for when these must be delivered and identifies staff learning and development needs. There are competency frameworks for staff, managers, senior officers and Directors, with descriptors outlining the performance that is expected at each level. Performance reviews are completed on a bi-annual basis against the relevant competency framework and PADA guidance is available to support both staff and managers through the process.

28   Hillingdon has a set of **consultation/engagement standards** that demonstrate a commitment for building strong relationships with residents, visitors and businesses throughout the borough. The standards set out Hillingdon's commitment to engage, consult and respond to the views of local communities. The standards also support Hillingdon's commitment to transparency and the need for sharing information with residents. Resident and stakeholder feedback supports and informs corporate intelligence, which drives business planning, policy and decision making including commissioning and procurement of services. An annual customer engagement plan is in place covering all Council services to align customer engagement to support the delivery of Council priorities

29   **Hillingdon's Pride of Place** initiative encourages residents to contribute their ideas on neighbourhood improvements so that they can feel PROUD to live in Hillingdon. The aim is to raise civic pride by showing how residents can make a real difference and contribute directly to a range of activities and specific projects to improve their local area. The initiative brings together other successful programmes such as 'Street Champions' and 'Chrysalis', and gives residents the opportunity to meet informally with their ward councillors and discuss improvements directly with Council officers through a variety of community engagement events across the borough.

30   The Council has in place a well-established **Petition Scheme**, including e-Petitions. This is widely used by people in the borough to submit their views on local matters directly to decision-makers. The scheme was reviewed and revised by the Council in May 2013.

4   **Review of Effectiveness**

The London Borough of Hillingdon 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Overall the review of effectiveness concluded that internal control systems have been in place for the financial year ended 31 March 2013 and, except for the internal control issues detailed in section 5, management and control systems are operating effectively in accordance with good practice.

The review has been informed by a range of management information and improvement action, including:

1   A comprehensive annual programme of scrutiny and review by the Policy Overview and Scrutiny Committees and the Audit Committee.

2   The role and responsibilities of the Corporate Director of Finance, detailed in the Code of Corporate Governance, as a key member of the leadership team actively involved in all material business decisions to safeguard public money and sound financial management on behalf of the authority.

3   The work of the external auditors as reported in their annual audit letter.

4   The work of Internal Audit service, which develops its annual work plan after an assessment of risk. The Head of Audit and Enforcement reported regularly during the year to both the Corporate Management Team and the Audit Committee and has provided a satisfactory level of assurance on the internal control environment in 2012-13.

5   The internal control assurance statement template was updated for the 2012-13 review. The template provides more detail on the assurances required and the evidence to support them. Statements were received from all Deputy Directors and Heads of Service covering the financial year 2012-13. Statements provide confirmation that the control environment is operating effectively to safeguard the delivery of services and that any significant control issues have been raised and are being dealt with appropriately.

6   The London Borough of Hillingdon has continued to maintain effective financial management throughout the financial year, with unallocated reserves increasing to £30.3 million as at 31 March 2013.

7   The London Borough of Hillingdon has a clear commitment to a capable and fit for purpose procurement function. Working through a co-located business partner model, Procurement ensures a best value approach to expenditure commitment. By engaging with directorates, Procurement supports the delivery of financial and service level requirements to meet the wider corporate objectives with a 'Resident First' approach. Progress and performance of Procurement delivery is regularly reviewed with directorate Senior Management Teams and the Corporate Management Team. Processes and procedures are regulated through revised Procurement & Contract Standing Orders enabling the appropriate oversight of decisions.

8   Implementation of performance measures ensures that each area achieves its targets in service delivery, financial control, and good governance.

9   Throughout 2012-13 the London Borough of Hillingdon has made substantial progress to implement new procedures and protocols and strengthen existing governance arrangements. This includes:

        ● A review and refresh of the Council's Constitution
        ● Adopting an updated Code of Conduct for Members and Co-opted Members
        ● Updating the scheme of delegations for each directorate

5   **Significant Governance Issues**
The London Borough of Hillingdon has implemented a range of improvement actions, as part of its overall continuous improvement programme, to strengthen governance arrangements and control systems. Through the Council's BID programme, current ways of working are also being rigorously challenged and tested against processes and procedures applied in the business world, which is unusual for Local Government. This has meant that Hillingdon's approach has identified issues and therefore improvements that other Local Authorities may not.

All internal control issues reported in the 2011-12 AGS have been resolved, except that:

1. Historic weaknesses were identified in the monitoring and control of some construction projects, specifically around financial reporting. As part of a BID transformation project, new processes and procedures have been put in place that include "gateway sign offs". Staff are being trained and new documentation is being rolled out. Moving forward, the new Asset Management Service will bring together all property, construction and maintenance functions and these new ways of working will be implemented consistently across the service for all teams.

Following a review of the effectiveness of the system of internal control, the following governance issues have been identified in 2012-13:

2. The monthly budget monitoring process in passenger services was found to be insufficiently robust which resulted in a budget overspend picked up in Q4. A transport panel has now been set up to vet all applications for travel assistance and a more thorough monitoring approach between the manager and finance services has been implemented.

3. Money from fixed penalty notices for anti-social behaviour could not be accounted for. An internal audit was completed and all recommendations have been implemented. This has included a new process for handling cash payments.

4. In October 2012, the Residents Services directorate took responsibility for all Housing functions. Planned audit reviews and a subsequent BID review have highlighted control issues around the lack of formalised processes and procedures, contract management activity and regard to corporate ways of working and protocols. These issues are being addressed as part of the BID Asset Management and Tenancy Sustainment Programmes.

   - Specifically in housing repairs, a lack of contract management arrangements has led to legal challenge by a supplier and their staff.

5. A review of the Council's approach to contract management found that there was insufficient rigour in the monitoring of compliance with standing orders. In order to ensure consistent compliance with standing orders and the consolidation of contracts, Corporate Procurement and Social Care Commissioning functions have been brought together and a new Category Management approach is being implemented. This has also generated financial savings.

6. As part of the ongoing changes to the organisation through the BID process, there is a need to constantly review and update policies and procedures to take account changes in roles and responsibilities, scheme of delegations, succession plans, structure charts etc.

The London Borough of Hillingdon will, over the coming year, take steps to address the above matters to further enhance our governance arrangements. The authority is satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

Fran Beasley   Cllr Ray Puddifoot
Chief Executive   Leader of the Council
XX September 2013   XX September 2013