The Draft Annual Governance Statement 2013-14

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SUMMARY

1. An update on preparing the Annual Governance Statement (AGS) for 2013/14 was last reported to the Committee on 11 March 2014. Steady progress has been made to deliver the key components feeding into the draft AGS, which has included collecting cross-Council assurance statements and reflecting progress in Internal Audit reviews of key processes. Currently, the Council is on schedule to publish the AGS alongside the Statement of Accounts in September 2014.

2. During March and April, all Deputy Directors and Heads of Service submitted governance assurance statements. The review process has highlighted a number of governance issues that are outlined in section 5 of the attached draft AGS (Appendix A).

3. A full draft 2013-14 AGS is attached for comment.

REASON FOR REPORT

4. This briefing provides the Audit Committee with a progress update and presents a draft 2013-14 AGS for comment.

RECOMMENDATION

5. **Members are invited to review the production of the draft 2013-14 AGS and offer comments on the process.**

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 2014. There are also a number of areas where we anticipate progress before the AGS is published and these have been identified with square brackets within the text.**

DRAFT

London Borough of Hillingdon

Annual Governance Statement 2013-14

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 2014 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. Executive decision-making is transparent and undertaken in accordance with regulations and the law, with flexibility for urgent decisions. Cabinet meetings are open to the public and media to attend and report on.

4   Part 2, articles 6 and 8 (including Part 4,E) set out how the Council's non-executive decisions by Members are taken. **Policy Overview and Scrutiny Committees** undertake regular monitoring of services, performance and the budget and an annual programme of major Member-led service reviews involving witness testimony aimed at influencing executive policy. Statutory scrutiny of health and police bodies is undertaken annually. Regulatory decisions on planning, licensing and related matters are undertaken judiciously by experienced and trained Elected Councillors, in accordance with the Council's high ethical standards. A new Major Applications Planning Committee established in 2013 has strengthened the way the Council determines major developments and commercial / business applications.

5   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. Within this, each Directorate has individual Schemes of Delegations, setting out how Directors' responsibilities are sub-delegated. [Following organisational restructuring, the scheme of delegations for Adult Social Care and Children and Young Peoples Services are in the process of being updated.]

6   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.

7   The Council, as opposed to adopting a Code of Corporate Governance ensures that Hillingdon's governance structure, decision making process and areas of responsibility are covered in the Council's Constitution and schemes of delegation.

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8   **A Member training programme** is devised for each municipal year. Training on the new Code of Conduct took place in the Autumn of 2012, delivered by the Borough Solicitor and Head of Democratic Services and further training will be delivered to Members following the local elections in May 2014. Complaints about alleged breaches of the Code are 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 an induction and training programme for Members along with specific training on scrutiny, planning and licensing rules.

9   **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.

10   **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.

11   **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.

12   **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).

13   **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.

14   **The Business Improvement Delivery (BID)** programme is a key part of HIP and has been designed to fundamentally transform the way the Council operates. Through the programme, savings of £17.1 million were delivered in 2013-14 taking total savings over the last four years to over £70 million. 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.

15   **The Medium Term Financial Forecast (MTFF)** process is the system of service, financial and annual budget planning. This runs from the preceding March 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.

16   **Hillingdon Partners** aims to bring together the local public, private, voluntary and community sector organisations to improve the quality of life for all those who live in, work in and visit Hillingdon. The Partnership works to promote the interests of Hillingdon beyond the borough's boundaries with external organisations, regional bodies and central government. The Partnership has agreed 10 priority areas for the focus of its work, with actions to address local priorities delivered through five theme groups.

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. Following a redesign of the JSNA in 2011, further work has been undertaken to maintain the content through 2013. 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 Independently Chaired Audit Committee** operates to oversee the financial reporting, provide 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 generally consistent with CIPFA's 'Audit Committees – Practical Guidance for Local Authorities 2005. Internal audit carried a review of the effectiveness of the Audit Committee in 2013/14 and identified some inconsistencies between the current arrangements and the CIPFA recommended best practice.

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. 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. 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. During 2013/14 Internal Audit highlighted a number of areas for further improvement.

   ● **A Corporate Risk Management Group** (CRMG), chaired by the Corporate Director of Finance, 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 reported to 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 will form part of the induction programme for key new staff.

21   The Council acknowledges that there is a need for robust and effective risk management processes and procedures that will help to mitigate against the potential increases in **insurance costs** as a result of the hardening of the insurance market.

22   **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.

23   A Council-wide officer group, the **Hillingdon Information Assurance Group** (HIAG), chaired by the Senior Information Risk Owner on behalf of the Corporate Management team, meets every two months to review progress on the agreed information governance work plan. Policies, procedures and guidelines for staff are updated regularly, mandatory data protection training has been rolled out to all staff, briefings have been delivered to Elected Members and where identified, learning from cases has been implemented.

24   The London Borough of Hillingdon has **an Anti-Fraud and Anti-Corruption Strategy** approved by Cabinet 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. [Note: Review in light of Internal audit review of anti-fraud and anti-corruption arrangements]

25   **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.

26   The London Borough of Hillingdon **monitors legislative changes** consider implications and opportunities and ensure that the authority is fully compliant with laws and regulations. The Policy Team leads on briefing the Corporate Management Team on upcoming changes and agreeing actions, reporting to Cabinet on specific issues as required. Legal Services review Member and Cabinet decisions for legal compliance.

27   **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.

28   The **Performance and Development Appraisal (PADA)** process requires all officers and senior managers, to record employee's key objectives and tasks, set targets for when these must be delivered and identify 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.

29   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

30   **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.

31   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 2014 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 Finance scheme of Delegations. As a key member of the Corporate Management Team leadership, his role is to act as and exercise the functions of the "Chief Finance Officer" meaning the officer designated under section 151 of the Local Government Act 1972. As such he is 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 reported regularly during the year to both the Corporate Management Team and the Audit Committee and has provided a reasonable level of assurance on the internal control environment in 2013-14.

5	The internal control assurance statement template was updated for the 2013-14 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 2013-14. 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 £35.9 million by 31 March 2013.

7	The London Borough of Hillingdon has a clear commitment to a capable and fit for purpose procurement function. Working to a Category Management approach, 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. It is recognised that through the Category Management approach, contact management and monitoring has improved. Relationships have also improved between Procurement, Legal Services and Service areas.

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 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.	Following historical weaknesses in the monitoring and control of some construction projects, new processes and procedures, including 'Gateway Sign Off's' have been implemented across all Asset Management functions, including Housing and Facilities Management. Further work is underway to bring together all property, construction and maintenance functions in a consistent and coherent way.

All internal control issues reported in the 2012-13 AGS have been resolved, except that:

2.	Significant progress has been made through the Tenancy Sustainment and Housing BID programmes in reviewing and reshaping Housing Services. Further work is underway to enhance operational processes and procedures to reflect new ways of working, ensure effective contract management and create a strong corporate, joined up approach. Closer working relationships between Housing and other corporate services areas, for example Procurement, are ensuring that issues, once identified, are addressed and resolved in a more timely manner.

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Following a review of the effectiveness of the system of internal control, the following governance issues have been identified in 2013-14:

3.   A lack of direct Local Authority control over the recruitment process for school staff means that assurance in this area is significantly lacking. This has given some cause for concern during 2013-14. Internal Audit are working on a themed audit to identify ways to improve control and governance. Recommendations will be picked up through the Local Authority Designated Officer offering support to schools through their safeguarding work.

4.   Following an Internal Audit Review in 2013-14, a lack of understanding amongst staff about the importance of declaring financial and non-financial interests was highlighted. There are key service areas that are more at risk of conflicting interests for example where a contract or supplier relationship is in place. .[A report to the Corporate Management Team is being prepared to address this issue : UPDATE]

5.   In November and December 2013 Ofsted conducted an inspection of services for children in need of help and protection, children looked after and care leavers.   The Services were judged by Ofsted as 'require improving'.

The inspection found many strengths including the visible and committed leadership from the Leader of the Council, the Deputy Leader of the Council and senior officers to transform services; recognition that the new ways of working being implemented was the right model; the council is working well with partners to keep children safe; a strong commitment to improve the lives of children looked after; a good adoption service; and effective support for children who leave care.

The council needs to ensure consistency in practice, including assessments, care planning and reviews; establish strong management oversight and performance management of case work; and embed a sustainable approach to improvement, including the recruitment and retention of a high calibre workforce.

In response to the inspection findings, the Director of Children and Young People's services has established an action plan to achieve a 'good' Ofsted grade by addressing the 11 issues identified by Ofsted. Lead officers have been identified for all areas, and progress and targets are monitored by the Director every two weeks. Performance reports and the findings from practice audits are reviewed to measure what difference the action plan is making. The action plan and progress has been reported to the Leader of the Council and Ofsted.

6.   Following an Internal Audit review which was published in May 2014, a number of control issues were identified with regards the data reporting and accuracy of housing rent arrears during 2013-14. Significant delays were also highlighted in the setting up of some rent accounts. Management action is in place to address the issues and Internal Audit are following up on its implementation.

7.   An Internal Audit Assurance Report for Looked After Children Placed out of Borough highlighted some issues in the areas of management of care plans, specifically:
·   The timeliness of approving plans and scanning documents into Civica
·   The review of exception reports in Protocol ICS

Both these issues have been resolved by the Service Teams working closer with ICT and

the Performance and Intelligence team and improvements in management practices.

8. Effective information governance remains a high priority for the local authority, however there have been some Data Protection breaches during 2013-14, which have been quickly identified and addressed in line with expected procedures. During 2014/15 all staff will be undertaking refresher data protection training to ensure standards in information governance remain high and key policies and guidelines will be reviewed.

9. An incident occurred in the Payments Team, whereby a member of the team used the bank details provided on the AP02 payment form rather than independently verifying the payees bank details. This meant that two payments to a landlord were issued to an incorrect payee. The Council recovered the money in full but a full review of the process was undertaken with Strategic Finance and more stringent controls have now been implemented including a new AP02 form.

10. The legislation outlining the responsibility for provision of post 19 education places for students with Learning Disabilities changed during 2012-13 with responsibility passing from the Education Funding Agency to Local Authorities. A stage 3 complaint during 2013-14 highlighted a need for greater clarity around Hillingdon's process and control for dealing with the changes. A policy is now in place and responsibility lies within the all-age disability pathway programme.

11. The need to continually review and transform services to drive improvements and efficiencies continues under the government's austerity measures. Hillingdon's successful BID programme has delivered significant savings to date and will be applied further over coming years. There is a need therefore to constantly review and update policies and procedures to take account of changes, for example in the areas of roles and responsibilities, scheme of delegations, succession plans and structure charts.

Fran Beasley
Chief Executive
XX September 2014

Cllr Ray Puddifoot MBE
Leader of the Council
XX September 2014