

# Annual Governance Statement 2017 – 18

**Date Issued**  
25 July 2018

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## What is Corporate Governance?

Corporate Governance refers to the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

The *International Federation of Accountants / CIPFA 2014: International Framework Good Governance in the Public Sector*, further states that to deliver good governance in the public sector, both governing bodies and individuals working for them must try to achieve their entity's objectives while acting in the public interest at all times.

Acting in the public interest requires behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Our governance arrangements aim to ensure that we meet our objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that our public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The governance framework comprises the systems, processes, cultures and values by which Tower Hamlets is directed and controlled, and through which we engage with and lead the local community. The framework brings together an underlying set of legal requirements, good practice and management processes.

## How do we know our arrangements are working?

To monitor the effectiveness of our corporate governance systems, we have approved and adopted a 'Code of Corporate Governance' which is consistent with the principles of the CIPFA / SOLACE 2016: *Delivering Good Governance in Local Government Framework 2016 Edition*.

This code is subject to review, challenge and endorsement by the Audit Committee or scrutiny panels as appropriate. A copy of the code can be located via [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk) or can be obtained from the Monitoring Officer.

Each year we review our corporate governance processes, systems and the assurances on the governance framework to create an annual governance statement. We review our compliance with the approved code of corporate governance, consulting with and obtaining positive assurances from the corporate leadership team and governance officers.

In addition we also reflect and take into consideration the work of internal and external audit and other inspection bodies completed during the year. The issues identified during the review are highlighted in the action plan at the end of this statement.

This AGS builds upon those of previous years. It summarises the key governance framework which has been in place for the year ended 31 March 2018 up to the date of approval of the statement of accounts and records any significant governance issues that need to be addressed over the coming year.

As we are continually changing and seeking improvement it is important that the governance arrangements are robust and flexible enough to manage change effectively, and positively support our aims and objectives.

It is recognised that the governance framework cannot eliminate all risk and therefore only provides reasonable and not absolute assurance of effectiveness.

## How Tower Hamlets works

The Council comprises of a directly elected Mayor and 45 Councillors who are elected on a four year term. Councillors are elected to represent the 20 wards across the Borough with between one to three Councillors in each ward.

The Executive Mayor is Mayor John Biggs. The composition of the Council is:

Labour (42 seats)

Conservative (2 seats)

People's Alliance of Tower Hamlets (1 seat)

Councillors are democratically accountable to the residents of their Wards. The overriding duty of Councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them.

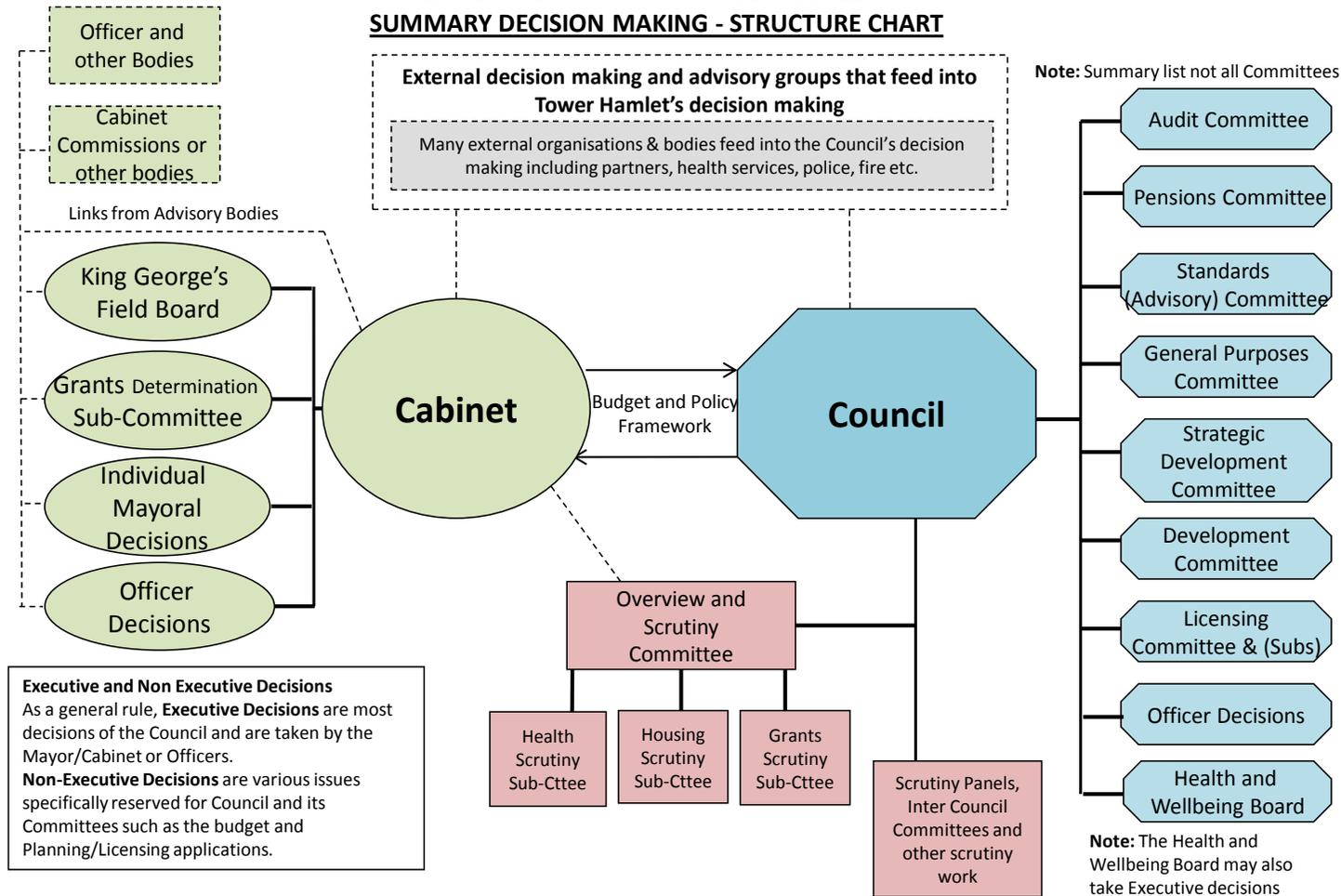
Full Council consists of the Mayor and all Councillors. It meets to make major decisions including setting Council Policy, the Budget and Council Tax and considering any recommendations outside of the budget and policy framework. The Council appoints a number of Committees to carry out specific functions. These include: the Regulatory Committees, the Pensions Committee and a Standards (Advisory) Committee.

The Mayor appoints and is supported by a Cabinet. The Mayor and Cabinet are responsible for most regular decisions of the Council. This includes preparing the budget and plans for the Council to consider, implementing and monitoring other major decisions. The Mayor and Cabinet have to take decisions in line with Budget and Policy Framework set by Full Council. Any proposals outside this must be referred to Full Council to decide.

The public has wide access to Council meetings through attendance, submission of deputations, questions and opportunity to contribute to debates. The Council's website gives dates and times of meetings and access to documents.

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**LONDON BOROUGH OF TOWER HAMLETS**  
**SUMMARY DECISION MAKING - STRUCTURE CHART**



**Note:** Some bodies omitted for clarity

**KEY:**



## Constitution

The constitution is available via [www.towerhamlets.gov.uk](http://www.towerhamlets.gov.uk) and sets out how TH operates, how decisions are made and the processes that are followed to ensure that decision making is efficient, transparent and accountable to local people. A number of the codes of practice and procedures within the constitution are required by law, whilst some are chosen to reflect best practice arrangements.

The constitution further sets out the role of key governance officers, including the statutory posts, and explains the role of these officers for ensuring that processes are in place to ensure that TH meets its statutory obligations and also for the provision of advice to councillors, officers and committees on staff management, financial, legal and ethical governance issues. The statutory posts / are:

Statutory Roles:	Allocated to:
Head of Paid Service	Chief Executive
Chief Finance Officer (Section 151)	Corporate Director Resources
Monitoring Officer	Corporate Director Governance and Monitoring Officer
Director of Social Services (Adult Services Only)	Corporate Director Health, Adults and Community
Director of Children's Services	Corporate Director Children's Services
Chief Education Officer	Corporate Director Children's Services
Director of Public Health	Director of Public Health

The senior management structure within the Council has seen some minor changes but largely stable throughout 2017/18. The key governance officers have been involved in the preparation of this statement and are satisfied that the arrangements in place are working effectively and that no matters of significance have been omitted.

## Structure

### Scrutiny committees

Scrutiny is a key part of the democratic process, monitoring Cabinet policy decisions and with a key role in advising on the development of policy. Scrutiny also has a broader remit to examine issues affecting TH.

Within its terms of reference, the **Overview and Scrutiny Committee** shall:

- Review or scrutinise decisions made, or other actions taken in connection with the discharge of any functions which are the responsibility of the Executive;
- Advise the Mayor or the Executive of key issues / questions arising in relation to reports due to be considered by the Mayor or the Executive;
- Make reports or recommendations to Council and / or the Mayor or the Executive in connection with the discharge of any functions which are the responsibility of the Executive; and
- Review or scrutinise the decisions made or other actions taken in connection with the discharge of any functions which are not the responsibility of the Executive.

There are three Scrutiny Sub-Committees which support the work of the Mayor / Cabinet and TH as a whole. These relate to three specific themes, which are:

- Grants Scrutiny Sub-Committee;
- Health Scrutiny Sub-Committee;
- Housing Scrutiny Sub-Committee.

### **Best Value Improvement Board**

As part of the final submission to the Secretary of State for DCLG, the Best Value Improvement Plan 2017/18, proposed the creation of a Best Value Improvement Board to drive sustainable improvement across the organisation by providing oversight, support and challenge. The Board is chaired by the Mayor with both cross party and external representation to provide suitable challenge to improve all council activities.

A key objective of the Board was to provide a Council-wide approach to setting, reviewing and implementing improvement activity by:

- Acting as the Council's Best Value Improvement Board providing focus, advice and challenge as a "critical friend" on the adequacy of the Council's Improvement Plans, monitoring the pace and impact;
- Assessing, challenge and support the robustness of the improvement activity and related implementation plans;
- Maintaining an overview of performance against the detailed improvement activity;
- Ensure there is sustainable improvements across the Council
- Holding cabinet members and officers to account;
- Meeting in public every quarter to ensure transparency and accountability in relation to progress being made;
- Submitting a progress report quarterly to Department for Communities and Local Government.

The Board continues to make an affective contribution towards the delivery of improved governance across the Council and during 2017/18, the Board has delivered following outcomes:

- Oversaw delivery of Best Value Improvement Plan
- Oversaw delivery of Children's Services Improvement Plan
- Developed a Tower Hamlets Improvement Framework bringing together improvement activities across the organisation.

### **Audit Committee**

This committee undertakes the core functions, and complies with best practice as detailed within the CIPFA 2013: Audit Committees – Practical Guidance for Local Authorities and Police and has oversight of the delivery (as the 'Board') of Internal Audit standards in accordance with the Public Sector Internal Audit Standards (PSIAS). As part of the continued development of the effectiveness of the Committee, a self-assessment of the committee will be conducted during the 2018/19 committee cycle, in accordance with revised version of the guidance, published in May 2018.

The committee takes a positive and proactive approach to governance and reviews progress on the AGS action plan, internal audit annual audit plan, anti-fraud arrangements including whistleblowing and risk management. Although not previously completed, the chair of the committee going forwards will provide an annual report to full Council which outlines the work and effectiveness of the committee during the year.

### **Corporate Parenting Board**

The joint Member / Officer CPB will advise the Mayor in Cabinet to ensure that the services the Council provides to the children in its care are of the highest standard and that those services meet national and local government objectives for children and young people in public care.

Specifically the CPB will:

- Oversee the delivery of Tower Hamlets Children Looked After Strategy and ensures it is updated to reflect new policy, priorities and practice changes.
- Offers high level support and challenge to the implementation of the Council's improvement plan in relation to looked after children and care leavers.
- Acts as a monitor of performance by officers of the council by receiving and reviewing regular performance reports
- Keeps abreast of new policy and legislation that affects looked after children and care leavers to ensure the council's offer is aligned with best practice and expected standards.
- Provides a forum for identifying and supporting the priorities of children looked after and care leavers Members, Officers and the council more widely.
- Provides a forum for communication and purposeful engagement between children looked after, care leavers, Members and Officers
- Seeks to influence policy and practice for the benefit of children and young people looked after and leaving care.
- Steer and advise the wider Council and partners on its role as a Corporate Parent.
- Ensure that the wider council and partners contribute effectively in providing the best offer for children looked after and care leavers.

### **Council Owned Companies / Partnerships**

#### Tower Hamlets Homes

We have in place a well-established Arm's Length Management Organisation - Tower Hamlets Homes, a wholly owned subsidiary limited by guarantee to manage the Council's housing stock. Tower Hamlets Homes has a formal governance structure and manages its internal affairs and delegated budgets through the Company Board. Performance is monitored through a formal review process with Senior Council officers and elected members. The company operates its own risk management strategy and is subject to internal and external audit and inspection activities in compliance with the Companies Act.

### Seahorse Homes Limited

Seahorse Homes Limited is a wholly owned company limited by shares established in 2017. The company has yet to start trading. The Board of Directors is comprised of three Council officers. The company is seeking to acquire homes which will be let at market rent levels in order to achieve a commercial profit. The first property acquisitions are expected to complete in autumn 2018. The company also intends to commence new build development activity in 2019.

### Mulberry Housing Society

Mulberry Housing Society is a charitable community benefit society established in 2017. The society has yet to start trading. The Board of Directors is comprised of two Council officers and three Independent members. The society is seeking to acquire homes which will be let at sub-market rent levels in order to meet housing needs. The first property acquisitions are expected to complete in autumn 2018. The society also intends to commence new build development activity in 2019.

It should however be recognised that the Council does not strictly-speaking control or have a shareholding in Mulberry Housing Society.

## **Tower Hamlets Strategic Plan 2016 – 2019**

The updated Strategic Plan sets out the priorities and outcomes the Mayor and his administration have been elected to deliver. These are underpinned by the Council's transformation programme, medium term financial strategy and the drive to deliver better outcomes for local people.

The 3 priorities and outcomes for 2017/18 identified within the plan were:

- Creating opportunity by supporting aspiration and tackling poverty;
- Creating and maintaining a vibrant and successful place; and
- Working smarter together as one team with our partners and community.

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## Review of Effectiveness

Tower Hamlets has a responsibility to conduct an annual review of the effectiveness of its governance framework, including the system of internal control.

This is informed by:

- Annual assurance opinion of the Chief Internal Auditor;
- Performance against targets;
- Annual director assurance statements;
- A review of the progress made with regards to the implementation of the previous year's AGS action plan.

The review of effectiveness of our governance framework is informed by the work of the Corporate Leadership Team who have responsibility for the development and maintenance of the governance environment, Chief Internal Auditors' Annual Report, and also by comments made by the external auditors and other agencies and inspectorates. The Statutory Officers Group considers the draft Annual Governance Statement, prior to formal review of the AGS by the Audit Committee.

## Planning

The Council's Performance Management and Accountability Framework (PMAF) ensures that the vision and priorities are translated into clear plans and measurable outcomes which are appropriately monitored and delivered by officers and elected members. The PMAF sets out corporate expectations for managing performance, and informs the design and operation of performance management processes within individual Directorates and services.

Evidence and analysis have been used to identify our priorities and outcomes for local people, and these are outlined in our Strategic Plan, along with the actions we will take to make these happen, and the performance measures we will monitor in order to review and challenge whether what we are doing is achieving the desired results.

Strategic performance monitoring is undertaken publically on a quarterly basis at Cabinet. The Council takes an outcomes based approach to performance management: identifying the outcomes we want to achieve for local people and taking actions which will support the delivery of these outcomes. Our strategic performance measures enable us to understand the impact of our actions. Members and officers are supported in their work to improve performance through Dashboard reporting. This allows a greater breadth of data to be provided within reports, and tailored to individual audiences. Mayor and Cabinet Member Dashboards are designed to encourage dialogue between Members and Directors regarding performance, challenges, associated risks and improvement plans, and support accountability. Senior managers receive performance and organisational health dashboards which report by exception and focus on areas of under-performance, high risk and high cost.

The Council has formal procedures in place to challenge where there are identified performance concerns: taking a trouble-shooting approach to improving performance, acting as a 'critical friend', and making decisions about where to focus improvement work. Therefore, areas of identified concern are referred to our Performance Improvement Board for further examination. Areas of under-performance may also be referred to the Council's Overview and Scrutiny Committee for further review.

### **Delivery of Projects**

THs' has developed a Smarter Together portfolio which brings together the various programmes and projects with the council. The management of these projects complies with recognised industry best practice within the public sector.

The portfolio has been set up in accordance with Management of Portfolios (MoP) best practice guidance to ensure the optimisation of investment. A programme and project methodology has also been established - based on Managing Successful Programmes (MSP), Management of Risk (MoR) and Management of Benefits (MoB) - to apply best practice principles throughout

the delivery lifecycle. There are clearly defined roles and responsibilities for all decision-making forums set out in agreed Terms of Reference, supported by discussion/decision logs, actions lists and a suite of registers to ensure effective management of risks, issues, assumptions and dependencies.

An internal gateway process has been put in place to ensure sufficient rigour is applied before new change initiatives are commissioned. This includes assessing (against agreed criteria) whether the change initiative is suitable for investment before production of a business case. Business cases are developed using HMT's five case business case guidance to make sure information allows reliable and evidence-based decision making wherever possible. During the programme and project lifecycles, go/no go decision points have been built into plans to validate benefits before commencing key stages, such as design, procurement, build, development and implementation as appropriate.

A high level PMO technical competency framework has been developed and a learning and development programme is being delivered to ensure PMO staff are trained and qualified in key areas of expertise.

### **The Audit Committee**

A well-established Audit Committee provides independent, effective assurance on the adequacy of the governance arrangements within TH. All major political parties are represented on the committee.

The Audit Committee met regularly during 2017/18. The committee considers reports including the Annual Internal Audit Report from the Chief Internal Auditor and the External Auditor.

The remit of the Audit Committee is to:

- Provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- To consider the Audit Plan and review internal audit findings and the annual report from the Chief Internal Auditor;

- To act as a forum from the external auditors to bring issues to Members' attention including both specific reports and general items such as the Annual Audit Letter;
- To enable the Council to demonstrate a response to its fiduciary responsibilities in preventing fraud and corruption.

### **Management**

Each Corporate Director has provided a self-assurance statement in respect of 2017/18, supported by assurance received from their direct reports, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of TH which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of THs' key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Corporate directors, divisional directors and service heads are responsible for monitoring implementation of the council's policies.

One of the key elements in obtaining the required internal control assurance for the Annual Governance Statement is the completion of the Annual Positive Assurance Statement by senior officers. Corporate directors were asked to compile their statements after taking assurance from their senior / departmental management teams.

### **Internal Audit**

TH takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of THs' activities. It is the duty of the Chief Internal Auditor to give an

opinion, at least annually, on the adequacy and effectiveness of internal control within TH. This opinion has been used to inform the AGS.

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS), and this has been confirmed by the completion of an independent peer review of the Internal Audit function in October 2017. This independent review did highlight some areas for improvement with regards to elements of practice within the service. An appropriate improvement plan has been formulated and is being delivered.

One of the key assurance statements TH receives is the annual report and opinion of the Chief Internal Auditor. As outlined within annual report of the Chief Internal Auditor, the following assurance opinion was provided, 'On the basis of the audit and counter fraud work undertaken during 2017/18 financial year, it is my opinion that I can provide **reasonable assurance** that the authority has adequate systems of internal control and that this has been operating effectively during 2017/18. The internal control environment (including the key financial systems, risk and governance) is in the main well established and operating effectively in practice.

The assurance opinion is considered consistent with the ongoing transformation activities and the continued implementation of the Best Value Improvement Plan actions.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give this assurance.

### **External Audit & Inspections**

KPMG are currently the council's appointed external auditor. However, following the decision of the council to opt in to the Public Sector Audit Appointments Limited (PSAA) arrangement, the PSAA Board appointed Deloitte to audit the accounts of the council for a period of five years (2018/19 to 2022/23).

The auditor issued an unqualified opinion in relation to the council's 2016/17 statutory financial statements. However, the 2016/17 value for money (VFM) work which followed the National Audit Office's guidance identified one significant VFM risk and two other areas of audit focus. As a result KPMG concluded that the Authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources throughout 2016/17. However, KPMG were satisfied that none of the remaining issues have an adverse impact on the 'sustainable resource deployment' sub criterion. KPMG therefore issued a qualified VFM conclusion on an 'except for' basis rather than the adverse basis that were applied in 2013/14, 2014/15 and 2015/16."

During 2017/18 external inspectors from Ofsted, CQC and an external peer review have completed a number of inspections and reviews, summary details are as follows.

#### Ofsted

As a follow up to the April 2017 report published by Ofsted in respect of Tower Hamlets' Single Inspection of Children in need of help and protection, children looked after and care leavers and the Local Safeguarding Children Board, Ofsted completed 2 monitoring visits during 2017/18. Formal feedback received following these visits has confirmed that improvement activities introduced had been sustained and thresholds for help and protection were appropriately applied.

#### Prevent Peer Review

A Prevent peer review was undertaken in February 2018. Tower Hamlets is a Prevent Tier 1 priority area and as such receives additional funding from the Home Office to deliver Prevent projects. Tier 1 status is apportioned as Tower Hamlets is considered to be of significantly higher risk than the majority of local authority areas. Accordingly, expectations of delivery are high.

Given this, the peer review team agreed that Tower Hamlets is delivering Prevent to an extremely high standard. It was particularly noted that Partnerships are firmly developed, practice is consistently strong, and leaders are aware of challenges. In addition the review recognised that the Tension Monitoring Group arrangements are a particular area of national good practice.

## Local Government Association – Corporate Peer Challenge

During June 2018, the council took part in a four day Local Government Association led Peer Challenge.

The challenge marked an important milestone in the council's journey as an organisation and provided an opportunity for the council to demonstrate the progress that has been made, but also to help us in plotting our future path to improvement.

The challenge further provided an opportunity for an informed, independent and external view of our strengths and weaknesses and provided fresh insight into where we are, the strength of our plans and into our ability to deliver the ongoing improvements we know are necessary to continue to better our services for our residents.

A formal report is expected on the outcomes of the Peer Challenge is to be provided towards the end of July 2018.

## Risk Management

All councillors and managers are responsible for ensuring threats and opportunities are considered in the decisions they take. TH has in place a formally approved risk management strategy which is subject to annual review. That strategy sets out a corporate risk appetite that is not risk averse but seeks to support decision making that consider threats, identifies mitigations etc. in order to ensure opportunities are seized and delivered.

In support of the delivery of effective risk management arrangements, a corporate risk management system 'JCAD' is used to capture all relevant corporate / directorate and project related risks. In addition, directorate Risk Champions oversee the continued development and review of the council's approach to risk management, acting as risk specialists to continually review existing risk and to consider emerging risk matters.

## Information Governance

Two formal groups oversee information governance risks to ensure that robust governance arrangements are in place and are maintained across the council. An Information Governance Group meets six weekly. In addition, the established Information Governance Strategy Board is chaired by the Head of Legal Services and is represented by Divisional Directors from each directorate.

### **Update on the 2016/17 Significant Governance Issues**

The 2016/17 AGS included four significant governance issues which were to be implemented and addressed during 2017/18. Actions 1 and 2 are now complete and closed. The implementation of actions 3 and 4 is on-going.

Action 1 – In consultation with the Department of Education, establish an Improvement Board to oversee the delivery of the improvement programme.

*Outcomes: In response to the Ofsted report findings and formal Improvement Board was established and has met consistently throughout the year to oversee the delivery of the improvement action plan.*

Action 2 – To review and update the Constitution and the council's corporate governance framework.

*Outcomes: The Constitution has been subject to formal review which included a revision to the Code of Corporate Governance.*

Action 3 – To improve Organisational Culture through the delivery of the Best Value Improvement Plan.

*Outcomes: Continued delivery of the best value improvement plan has been a key priority throughout the year. The Best Value Improvement Board established to provide formal oversight, is chaired by the Mayor with both cross party and external representation to provide suitable challenge to improve all council activities.*

Action 4 – To ensure that where grant payments are made to third sector organisations, formal lease agreements are in place.

Outcomes: *This action is progressing and lease agreements are being put in place with all relevant third sector organisations.*

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### Significant Governance Issues 2017/18

Based on THs' established risk management, the issues detailed in the following action plan have been assessed as being significant for the purpose of the 2017/18 AGS.

It is proposed over the coming year that steps will be taken to address the issues identified to further enhance THs' governance arrangements.

No.	Issue	Action	Outcome	Lead Officer	Completion Date
1	To continue to effectively deliver the commitments outlined and defined within the Best Value Improvement Plan as a response to the findings of the Commissioners.	Effective oversight and organisational commitment to the delivery of the Best Value Improvement Plan, including the LGA corporate peer challenge.	Timely implementation of the Best Value Improvement actions throughout the 2018/19 financial year.	Chief Executive	31 March 2019
2	To continue to deliver improvements in Children's Services that respond to the Ofsted findings.	To continue to provide effective oversight for the delivery of the agreed improvement plan and to effectively respond to the Ofsted monitoring visit findings.	Continued improvement of Children's Services.	Corporate Director, Children's Services	31 March 2019

3	The 2017/18 Internal Audit of the Leaving Care Service governance and control arrangements received a Nil assurance rating to this audit and which recommended that a full service review is undertaken.	Delivery of the service improvements identified within the 2018 drafted 'Through Care Service Policy and Procedure'.	Continued improvement of Children's Services.	Corporate Director, Children's Services	30 <sup>th</sup> September 2018