

REPORT TO: Audit Committee	DATE 14th December 2010	CLASSIFICATION	REPORT NO.	AGENDA NO.
REPORT OF: Corporate Director, Resources		Annual Governance Statement for the 2009/10 Accounts Update		
ORIGINATING OFFICER(S): Service Head Risk Management				
		Ward(s) Affected: N/A		

1. Summary

- 1.1 This report updates the Audit Committee of the progress made in dealing with the significant issues identified within the annual governance statement.

2. Recommendation

- 2.1 The Audit Committee is asked to note the action in dealing with the issues raised on the annual governance contents of the report.

3. Background

- 3.1 The Accounts and Audit Regulations 2003 and its subsequent amendment by regulation 4(2) in 2006 require the Council to conduct a review, at least annually of the effectiveness of its governance arrangements and to publish an Annual Governance Statement (AGS) with the annual financial statements. The Statement of Recommended Practice requires the AGS to be approved by the committee approving the accounts, which at Tower Hamlets is the Audit Committee.
- 3.2 The statement for the year ending 30 June 2010 was presented at the CMT on 15th June 2010 and subsequently to the Audit Committee on 13th July 2010. The statement was signed by the Chief Executive and the Leader following completion of the external audit of the annual financial statement.
- 3.3 The table appended to this report outlines the governance issue raised on the AGS, the agreed action and progress to date. The table also refers to directorate or corporate plans to link the actions with the Council's performance management framework.

LOCAL GOVERNMENT ACT 1972 (AS AMENDED) SECTION 100D LIST OF "BACKGROUND PAPERS" USED IN THE PREPARATION OF THIS REPORT

Brief description of "background papers"

Name and telephone number of holder
And address where open to inspection

Minesh Jani, 0207 364 0738

4. Comments of the Chief Financial Officer

- 4.1 The comments of the Chief Financial Officer are contained within the report of which he is the author.

5. Concurrent Report of the Assistant Chief Executive (Legal Services)

- 5.1. The Council is required under the Accounts and Audit Regulations 2003 to ensure adequate and effective financial management and a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk. This must be reviewed at least once each year and a report provided to committee, which must approve a statement on internal control. It is consistent with the maintenance of a sound system of internal control, that the Council should produce an Annual Governance Statement and monitor performance against that.
- 5.2. The Council's Constitution provides that it is the function of the audit committee to be satisfied that the annual governance statement properly reflects the risk environment and any actions required to improve it. It is entirely proper that the audit committee should receive reports on progress against issues identified in the statement.

6. One Tower Hamlets Considerations

- 6.1 This progress update on significant issues from the Annual Governance Statement on 2009/10 Financial Year should allow the Audit Committee to focus on management action taken to date to improve risk management and control in order to provide strong leadership and inclusive services.

7. Anti-Poverty Considerations

- 7.1 There are no specific Anti-Poverty issues arising from this report.

8. Risk Management Implications

- 8.1. The progress update on significant governance issues should provide assurance to members that key risks associated with progressing these issues are being addressed and managed.

9. Sustainable Action for a Greener Environment (SAGE)

- 9.1 There are no specific SAGE implications.

4. Progress Update on Significant Issues from the Annual Governance Statement 2009/10

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>To model an efficiency programme to take account of the likely reduction in future funding across public sector.</p>	<p>The authority has identified a savings target of £18m a year the next three years arising from the Government action likely to be necessary to tackle the UK's public spending deficit. This is much greater than the target in previous years and the incremental approach adopted in the past does not lend itself to this scale of problem.</p> <p>The authority has established a Service Options Review which will examine the strategic opportunities for delivering the savings. A clear savings target has been set of £55m over the next three years.</p> <p>Directorates have been challenged to identify savings to the scale required and this information has been fed into the review. The Review will go on to supplement the proposals brought forward by Directorates and identify strategic savings opportunities, likely to include some of a transformational nature, which will be governed through the Council's Transformation Board. A key component of the programme will be to ensure that a system is in place to secure the financial benefits of the transformation in the form of cashable savings.</p> <p>{Priority 1.2 (5) Strategic Plan and priority 5 – Resource's Directorate Plan}.</p>	<p>The Service Options Review was completed as set out. In the light of successive Government announcements in relation to funding, the Medium Term Financial Plan projection has been kept under review in order to identify the need for further savings as early as possible if necessary. Strategic opportunities for savings have been identified and are now in course of implementation assisted by a remodelled Programme Management Office and refreshed governance arrangements led by CMT Transformation Board.</p>	<p>Corporate Management Team</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Optimise asset management across public services to enable Council assets to be utilised in the most effective way.</p>	<p>Partners such as the Metropolitan Police and NHS Trusts are now members of the Council's Capital and Asset Management Board and are also involved in the development of the Asset Strategy Pilot in LAPS 1 & 2. The Asset Strategy is now fully aligned with the service integration/localisation agenda, which fully involve partners. The Pilot is dependent on progress with localisation but is expected to be ready in draft by December 2010 {Priority 6 – Strategic Plan}.</p>	<p>In January 2011 Cabinet will be asked to approve a programme for the sale of surplus assets and a new Asset Strategy.</p> <p>A “Better Asset Management” programme has been established as part of the Transformation Programme that will specifically look at better use of assets through reducing running costs, increasing income and selling surplus property.</p> <p>The pilot in LAPs 1 & 2 is well advanced and tied in with the work of Localisation Board. Initial conclusions from this pilot, with details of existing costs and a possible “blue print” for future properties will be concluded by the end of 2010.</p>	<p>Corporate Directors Resources and Development and Renewal</p>

Governance Issue	Action taken and next steps - June 2010	Progress Made To Date	CMT Lead
<p>To further enhance particularly in relation to disaster recovery</p>	<p>The authority has a framework for business continuity planning and management. However, further enhancements will be made to ensure the authority can respond to a catastrophic disaster and its ability to access all essential IT applications {Priority Res011 – Resources Directorate Plan}.</p>	<p>Work to enhance the Council's Disaster Recovery capability to meet minimum requirements has been approved and is in-progress. To date the critical Council IT Services and their relative recovery priority has been agreed and communicated. A GAP analysis for the supporting Disaster Recovery Contract and documentation has been carried out to identify shortcomings. In line with this analysis changes to the existing Disaster Recovery contract have been identified and will be implemented by the end of November 2010.</p> <p>In addition to the above work a detailed CICT Disaster Recovery plan has been produced with documented assumptions and responsibilities. In order to validate the assumptions and ensure that supporting documentation is in place and fit for purpose the regular 6 monthly ICM D/R tests (starting with the one scheduled for 29/11/10) will be used to deliver fully documented Disaster Recovery tests verifying the planning assumptions associated with the D/R plan and ensuring that the supporting documentation is complete and up to date. The initial focus is on the critical line of business applications including Framework-I, JD Edwards One World, iWorld Benefits and Housing, ResourceLink as well as core services including Email.</p>	<p>Corporate Director Resources and Corporate Director, Communities Localities and Culture</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Maintain an ongoing drive to deliver decent homes standard by ensuring the Council's ALMO achieves two stars.</p>	<p>Following a mock inspection of the Council's Arms Length Management Organisation (Tower Hamlets Homes) in June 2009 a Service Improvement Plan was developed. This was refreshed in February 2010 and agreed with the Council as one of the suite of documents which govern the operations of the ALMO under the terms of the Management Agreement. This allows the ALMO and the Council to focus on those areas where there is the greatest risk at inspection and where the need for a stronger customer focus is most intense.</p> <p>The clienting procedures within the Council have also been strengthened in recognition of the importance of the need to drive change in the ALMO</p> <p>As a Round 6 ALMO funding for this scheme is not fully committed at this stage. Discussions continue with the HCA and the need for such investment has been prioritised in the draft Borough Investment Plan which will be agreed with the HCA by September 2010.</p> <p>Other regeneration opportunities have been progressed and the Ocean estate scheme has achieved start on site and 40Million funding from HCA. {Priority 14 – Strategic Plan and 2.1.4.2 Directorate Plan}.</p>	<p>Audit Commission Inspection is scheduled for 22/11/10. There is a full programme of Inspection Readiness delivered by LBTH and THH. Inspection Readiness Checks are made on a quarterly basis. A balanced scorecard approach will be adopted, focusing on:</p> <ul style="list-style-type: none"> • Outcomes and evidence (against the KLOEs); • Performance/benchmarking; • Service Improvement Plan (SIP) delivery; • Value for money and financial performance. <p>The HCA have agreed the Business Improvement Plan (BIP) in Oct 2010. Funding negotiations will now move on to the Borough Investment Agreement. Recent HCA announcement on ALMO funding (Nov 10th 2010) will result in a review of the ALMO's Decent Homes procurement plans.</p>	<p>Corporate Director, Development and Renewal</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Arrangements for Safeguarding Children / Child Protection.</p>	<p>Following national scrutiny of safeguarding issues, and the publication of Laming report, the Council has reviewed referral and safeguarding arrangements with social care and where necessary strengthened current arrangements and adopt the DCFS / Laming recommendations.</p> <p>Some key recommendations have already been implemented, for example the appointment of an independent chair for the Safeguarding Board, carrying out audit and assurance on cases within Children's Services and enhancing the use of Framework I, the Council's case management system. The next steps involve implementing all appropriate remaining recommendations, in particular, assessing potential increase in social worker requirements and taking heed of further guidance. {Priority 60, Strategic Plan}.</p>	<p>Considerable focus remains on this area of work. Currently central government have commissioned Professor Eileen Munro to further review the approach to child protection. The final report is due in April 2011 (this follows on from the Laming review and will replace the laming revisions) . Locally, Tower Hamlets has volunteered to be a journey authority to assist with this Munro review.</p> <p>Tower Hamlets local safeguarding children's board continues to undertake a range of initiatives to support challenge and governs this complex area of intervention in family life.. The significant operational pressures currently experienced within children's social care services have been raised with both the corporate safeguarding board and corporate management team.</p>	<p>Corporate Director, Children, Schools and Families</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Improve information governance across the authority.</p>	<p>A number of steps are to be taken to protect the information held by the Council. Some of the initiatives already taken include the use of BIOS passwords. A Project is now in place to implement full encryption for all mobile devices. This will be implemented for the most vulnerable devices first and all remaining devices by September 2010 {Priority Res011 – Resources Directorate Plan}.</p>	<p>This project has been implemented and is ongoing. 110 laptops are fully encrypted, 800 laptops are undergoing encryption under the programme due to finish in January 2011.</p> <p>180 laptops are too old and need replacing but remain with secure Bios protection until they are replaced.</p>	<p>Assistant Chief Executive (Legal)</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Directorate operational guidance on contract management; retention and filing of contract documentation and unauthorised extension of contracts</p>	<p>Guidance is already available through the contracting toolkit. Work is underway to broaden and strengthen our approach and this will be submitted to Competition Board for approval in September. A proposal for a standard self-assessment approach to contract management is currently being developed, for approval by Competition Board and subsequent roll-out across the Council.</p> <p>Systems have been improved for recording and filing contract documentation. Work is underway with Legal for setting up a repository of contract documents. This will be finalised by end June 2010.</p> <p>Unauthorised contract extensions have largely been addressed through revision of the Procurement Procedures in 2009. The updating of the contracts register, which will be completed by end May 2010, will provide the assurance to prevent unauthorised extensions.</p> <p>{Priority 8 – Resource’s Directorate Plan}.</p>	<p>A proposal with regards to procurement training has now been tabled to the Planning Forum, which has then been taken to the Competition Planning Forum. This work has included a proposal for Contract Management training.</p> <p>A purpose built storage system has been installed in a dedicated area to create a contract repository. This will be complimented with a new system for numbering all contracts held. The filing cabinets are locked, have restricted access and Officers requiring to view contracts will have to sign for them, and not be allowed to take them away. There will be strong correlation between the Contract Register and the Repository to ensure contracts are accounted for.</p> <p>A proposal for reviewing the Contracts Register has been agreed by the Competition Board. This will ensure that the Officers requiring training in Contract Management techniques.</p>	<p>Corporate Director, Resources</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
Termination of Chief Officer's employment.	Responding to the Audit Commission's recommendation the process will be clarified by introducing a protocol referred to in the Constitution by July 2010. This makes the responsibilities of officers and members clear when the termination of a Chief Officer's employment is being considered. {Priority within Chief Executive Directorate Plan}.	The change to the Constitution was agreed at Council in November and is now being implemented.	Assistant Chief Executive (Legal)

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>Pupil Place Planning - expanding school provision to meet rising demand for places.</p>	<p>Action has been taken to identify short term primary place needs (for 2010/11 School Year) and develop technical feasibility of temporary school expansion. The pupil projections model has also been enhanced to ensure pupil place planning is based on robust data.</p> <p>Work is underway with the Development and Renewal directorate to integrate two planning models to provide one single comprehensive projection model by September 2010 and have in place strategic provision of additional primary school places to 2019/20 school {Priority CYPP, ECS – Children Schools Family Directorate Plan}.</p>	<p>Report to Cabinet in August 2010 on School Estate Strategy (primary and secondary) and further report to Cabinet in December 2010 seeking agreement to possible site identification.</p> <p>Work with the Development and Renewal Directorate on pupil projection model continuing to confirm validity of output.</p>	<p>Corporate Director, Children, Schools and Families</p>

Governance Issue	Action taken and next steps as at June 2010	Progress Made To Date	CMT Lead
<p>To review and ensure the delivery of additional housing to reduce overcrowding.</p>	<p>The council is committed to providing high quality housing in line with the needs of the community. An Overcrowding Strategy has been agreed, which involves all partner RSLs in the borough as well as Tower Hamlets Homes. A programme has been developed to acquire and new build properties to reduce overcrowding {Priority 2.1 (1) – Strategic Plan}. A Right to Buy Buyback programme purchased more than 80 properties of three beds or larger, and despite the recession the Affordable Housing new build target (NI155) was achieved in 2009/10. Responsibility for addressing overcrowding within the Council's own stock has also been formalised with the Council dealing with those tenants who are two or more bedrooms short of need and Tower Hamlets Homes arranging a programme of visits to tenants who are 1 bedroom short of need using an Overcrowding Toolkit which has been developed to standardise the approach to overcrowding, {Priority 15 – Strategic Plan}.</p>	<p>By letting the properties from the buyback programme we have subsequently let a further 154 empty properties to overcrowded families, which means that to date we have helped re-house approximately 230 overcrowded families.</p> <p>(NI155) 132 units completed for Q2 this year.</p> <p>THH have also now completed their Overcrowding Strategy</p>	<p>Corporate Director, Development and Renewal</p>