

# Annual Governance Statement

2018/2019

DRAFT

## **Our Annual Governance Statement**

Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner.

We recognise the importance of having good governance, which includes effective leadership and management, policies and procedures, to ensure we have a well run Council that delivers high quality, value for money services to the local community. The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government*.

We recognise our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded. We have reviewed our governance processes and how they have operated over the course of the last year. This report summarises our review and conclusions.

We are satisfied that the Council has adequate governance arrangements in place. Governance is generally working well but we acknowledge that there are areas where we must improve, particularly in relation to the Council's statement of accounts and spending. We are committed to improving and have included a plan to record actions for 2019/20. We will report progress against these actions at the next annual review.

### **Signed on behalf of the London Borough of Tower Hamlets**

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Will Tuckley, Chief Executive

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John Biggs, Executive Mayor

## Introduction

All local authorities are required to report publicly about how they have complied with their governance arrangements and do so through an Annual Governance Statement (AGS). But what is governance? Governance is about how the Council ensures it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and responsible manner.

The Council has adopted a Code of Corporate Governance. The Code is based on the principles of good governance recommended by Chartered Institute of Public Finance and Accountancy (CIPFA) and SOLACE in a joint document entitled 'Delivering Good Governance in Local Government'.

The Code of Corporate Governance sets out the commitment of the London Borough of Tower Hamlets to continue to uphold the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for.

To assess the effectiveness of key elements of the governance framework, including partnership arrangements and alternative delivery models, we have reviewed our performance against each of the seven principles of good governance:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.
- D. Determining the interventions necessary to optimize the achievement of the intended outcomes.
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

When evaluating our performance we have taken into consideration reviews and inspections of the Council by others, such as Ofsted and the Local Government Association (LGA) – Corporate Peer Challenge, as well as the work of internal and external

audit. We have also reviewed our progress against improvement actions that were identified as part of the 2017/18 Annual Governance Statement.

In addition, each Corporate Director is required to confirm that their directorates are run efficiently, effectively, and with proper risk management and governance arrangements, including a sound system of internal control. They are required to review internal controls to ensure they are adequate and effective, whilst considering the following:

- Outcomes from risk assessments and evaluations
- Self-assessment of key service areas within the directorate
- Internal audit reports and results of follow ups regarding implementation of recommendations
- Outcomes from reviews of services by other bodies, including inspectorates, external auditors, etc.
- Linkage between business planning and the management of risk

Where areas for improvement are required an action plan must be developed.

We have used these returns to further enhance our review of the Council's governance framework.

To conclude the assessment, we have provided an overall opinion on our governance arrangements and included an action plan to record how we will address any areas requiring improvement.

## Our Assessment

To assess the effectiveness of key elements of the governance framework, including partnership arrangements and Council owned companies, we have reviewed our performance against each of the seven principles of good governance. When evaluating our performance, we have taken into consideration reviews and inspections of the Council by others such as Ofsted, the Local Government Association, as well as the work of internal and external audit.

Principal	Governance Arrangements
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>The Council's constitution records the rules and laws under which the Council operates, including the Financial Regulations. The constitution is published on the Council's website. In addition, there are a range of policies and procedures to direct and guide Members and staff, as well as codes of conduct that set out standards of behaviour expected from Members and staff.</p> <p>The Council has appointed the required statutory officers which includes the Head of Paid Service (Chief Executive), the Monitoring Officer (Corporate Director, Resources) and the Chief Finance Officer, sometimes referred to as the Section 151 Officer (Corporate Director, Resources). These three officers meeting regularly to discuss governance issues.</p> <p>The Council operates a Standards (Advisory) Committee to manage issues of Member conduct. In accordance with best practice, the Committee is chaired by a person that is independent of the authority.</p> <p>The Council has adopted a whistleblowing policy to guide and support staff about how to raise any concerns. It is readily available on the Intranet. The Monitoring Officer maintains a central record of all whistleblowing concerns and how they have been resolved. The approach to whistleblowing has recently been reviewed by Internal Audit (in 2019/20).</p> <p>Committee reports and decisions have been published online to ensure transparency and Executive decisions are subject to the 'Call-In' process by backbench Councillors who can raise</p>

	<p>any concerns they may have.</p> <p>The Council maintains a Register of Interests (for officers and Members) which includes a requirement to declare interests at meetings ensure that potential issues are recorded and Members do not take part in meetings in an inappropriate way. This includes the need to leave the room when any items for which they have a Pecuniary Interest are discussed.</p> <p>The Council has also maintained a Gifts and Hospitalities register to ensure that Members and officers declare any gifts and hospitality in an open and transparent manner.</p> <p>The Council has sought feedback from the public through its complaints and comments procedures and has responded to the outcomes, as appropriate.</p> <p>The Council's Audit Committee has met throughout the year and has considered reports from internal and external audit as well as other updates, reports, and advice from the Chief Financial Officer and Monitoring Officer.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Council meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality/disclosure of exempt information which are provided for in statutory provisions.</p> <p>The Council has invested in the technology to facilitate the webcasting of meetings meaning that stakeholders and residents can attend meetings if they wish to or watch them online.</p> <p>An online library of meeting agendas, attendance, supporting papers, decisions and minutes is maintained on the Council's website. As a result, the decision-making process can be considered and reviewed by stakeholders and the public from inception through to final decision and any ultimate scrutiny.</p>

	<p>The Council has sought community views on a wide range of issues and has undertaken regular consultation and engagement with citizens and service users.</p> <p>The Council's Overview and Scrutiny Committee has engaged with stakeholders, residents and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee includes co-opted residents with relevant knowledge and has encouraged residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses have been invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interest are represented.</p> <p>Social media channels have been used extensively to support the Council's engagement with stakeholders.</p> <p>Details of current, planned, and past consultations have been made available on the Council's website along with information on how the public/stakeholders can put forward their views.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>The Strategic Plan is the main business planning document of the Council. It sets out the corporate priorities and outcomes, the high level activities that will be undertaken to deliver the outcomes, as well as the measures that will help determine whether the Council is achieving the outcomes. The Council has a structured set of plans which turn our vision into actions, through Directorate, Key Council Strategies and Team Plans. The plan has been published in the Council's website.</p> <p>The performance of the Council against measurable outcome-led targets has been assessed through performance monitoring reports that have been considered within directorates, by the Corporate Leadership Team, Committees, Cabinet and subsequently at other meetings of relevance. Any such reports can also be called in for scrutiny and reviewed by the Audit Committee.</p>

<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>The Council, Cabinet and Committees have received regular reports on performance monitoring, the strategic plan and other policies and procedures which demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues.</p> <p>All decisions being considered have been objectively and rigorously analysed by the Monitoring Officer and the Chief Financial Officer and all reports have set sections for legal and finance comments to be recorded. Reports have been cleared by finance and legal clearance before publication.</p> <p>The Council's Performance Management and Accountability Framework (PMAF) sets out how we establish whether performance improvement is necessary. The Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements and this board has met regularly.</p> <p>The Council's Performance Improvement Board challenges services where there are identified concerns, takes a trouble-shooting approach, acts as a "critical friend" to drive improvement in performance, and makes recommendations about where to focus resources to drive improvement.</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<p>The roles of all officers (including statutory roles) have been defined in agreed job descriptions and person specifications. Staff performance is reviewed on an annual basis in accordance with the Personal Development Review process (PDR).</p> <p>The Council has adopted TOWER values and new Competency Framework to support officers in delivering services.</p> <p>The Council's transformation programme called SMARTER TOGETHER, which is led by CLT, is focussed on ensuring the Council is more agile, leaner, and strategic to achieve the best outcomes with limited resources.</p>



	<p>All members have been provided with a Member Induction Programme and wider Member Development Programme. Members also have an online portal to give them access to many useful documents and materials.</p> <p>All staff are provided with a corporate Induction and provided with additional documents and policies to support their induction.</p> <p>Staff are provided with opportunities for further development through the PDR and PDP processes.</p> <p>The Council has adopted a range of supporting plans and strategies including the People Resource Plan, Corporate Training Programme and Workforce Development Strategies.</p>
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p>	<p>The Council has adopted a risk management strategy and approach with the main priorities of providing robust systems of identification, evaluation, and control of risks which threaten the Council's ability to meet its objectives to deliver services to the community</p> <p>Risk management is part of the Council's day-to-day activities and decision-making and regular reports have been provided at divisional level, directorate level, and cross-organisation with relevant Committees and Cabinet receiving regular updates and advice. The Corporate Risk Register has been regularly reviewed the Corporate Leadership Team and independently by the Audit Committee.</p> <p>During the last year, the Corporate and Divisional leadership teams received training on Risk Management. Refresher training is provided annually.</p> <p>The Corporate Director, Resources is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters.</p> <p>The Council's system of internal financial control is based on a framework of financial regulations,</p>

regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

The Council has a proactive, holistic approach to tackling fraud, theft, corruption, and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. The outcomes of anti-fraud work have been reported to, and reviewed by, the Audit Committee.

A Medium-Term Financial Strategy is in place. Revenue and capital budget planning based on corporate priorities are led by the Corporate Leadership Team and were presented for approval by the Council.

Revenue and Capital Budget Monitoring reports have been presented to the Cabinet on a regular basis, this includes the annual outturn. Members have been able to scrutinise budget monitoring through the relevant Committee to ensure performance and risks are managed.

Members and senior management have been provided with regular reports on performance and progress towards outcome achievement.

All reports to Council, Cabinet and Committees are required to set out key implications and information in areas such as risk, equalities and environmental impact.

The Audit Committee is responsible for considering the Council's arrangements for internal governance and financial management and to recommend any actions accordingly. It has received a number of relevant reports such as annual internal audit plans, reports from external audit, anti-fraud and corruption initiatives and risk management.

The Council's Internal Audit service undertakes an annual programme of audits which includes providing assurance over the council's risk management processes. If any areas for improvement

	<p>are identified Internal Audit makes recommendations for management to consider and implement. Progress against the plan and the outcomes of audits are reported to the Audit Committee.</p>
<p>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>The Council has a published constitution setting out how decisions are taken and how the public can get involved in decision making, including access to information, petitions and ways of getting involved in decision making.</p> <p>The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p> <p>The Council webcasts it's Council, Cabinet and Overview and Scrutiny Committee meetings to ensure full transparency of the meetings.</p> <p>The Council's maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.</p> <p>The Council's constitution sets out the Terms of Reference of all Committees to ensure information is presented to the Appropriate Committees. Access to Information rules set out how the Council maintains good public access to information and reports.</p> <p>There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities.</p> <p>The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The Head of Internal Audit delivers a quarterly progress report to the Audit Committee setting out the outcome of Internal Audit and Counter Fraud activity.</p>

	<p>The Council responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny, and Inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk management and governance.</p> <p>As the Council's most senior decision making body, Audit Committee, and any other relevant Non-Executive Committee including Scrutiny, can report any concerns they have regarding actions that have not been undertaken.</p>
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## Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole of the Council's activities. It is a requirement for the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of governance, risk management and internal controls within the Council. The Head of Internal Audit reported the 2018/19 annual opinion to the Audit Committee in July 2019.

*On the basis of the audit and counter fraud activity undertaken during the year, and taking into consideration external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge as well as management's progress in addressing governance, risk and control weaknesses, it is my opinion that I can provide **reasonable assurance** that the authority has adequate systems of internal control and that they have, in the main, been operating effectively in practice.*

*The framework of governance, risk management and control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.*

The full report from July 2019 is available [here](#) (item 5.6).

Given this AGS has been reproduced several months after the annual opinion was first stated, we have asked whether there is any additional commentary the Head of Internal Audit would like to add. The Head of Internal Audit has stated:

Since stating my opinion in July 2019 new information has been brought to my attention which includes a resubmission of the Annual Assurance Statement from the Corporate Director of Resources. This statement records significant governance issues related to the statement of accounts and Council spending.

As stated above, my opinion takes into consideration the internal audit and counter fraud activity undertaken during the year, as well as external assurances provided by Ofsted and the Local Government Association Corporate Peer Challenge and management's progress in addressing governance, risk and control weaknesses. I have recorded limitations to the scope of my opinion which state:

*“The internal audit plan cannot address all risks across the Council and the plan represents our best use of the available resources. The annual opinion draws on the work carried out by Internal Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit plan. Not all risks fall within our audit plan. However, I have confirmed there were no audits of Information Technology (IT) related risks in 2018/19. Whilst I understand IT services are outsourced, I consider this lack of review material and I am limiting the scope of my opinion to exclude IT related risks. I will ensure that IT related governance, risks and controls are subject to internal audit in 2019/20 and will engage the support of specialist IT auditors.”*

In considering this new information, I have decided to clarify the scope of my annual opinion so that stakeholders who may wish to rely on the opinion are clear on its limitations and why the opinion between internal and external audit may differ. The following paragraph has been added to the annual reporting of the Head of Internal Audit at 10.1.

*“Internal Audit does not audit the Council’s annual statement of accounts and therefore the work of Internal Audit and my opinion do not cover the associated financial statements or disclosures. The Council’s external auditors (Deloitte) are responsible for the audit of the annual statement of accounts and reporting whether, in their opinion, they present a true and fair view of the financial position of the Council.”*

In addition, to support management in addressing these emerging governance issues, and provide independent assurance to the Audit Committee, I will reconsider the focus and scope of the remaining audits in the 2019/20 audit plan. The outcomes of these audits will be reported to senior management and the Audit Committee.

Paul Rock, Head of Internal Audit, Fraud and Risk.

## **External Audit & Inspections**

### External Audit

In July 2018 KPMG, the previous external auditor, completed their audit of the 2017/18 financial statements. Within the Annual Audit Letter presented to the Audit Committee, the auditor issued an unqualified opinion in relation to the Council's 2017/18 statutory financial statements. This means that KPMG concluded that the financial statements gave a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

However, the 2017/18 value for money (VFM) work, KPMG issued a qualified conclusion on the Council's arrangements to secure value for money for 2017/18. KPMG specifically concluded that "the authority had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources throughout 2017/18. KPMG remained satisfied that none of the outstanding issues have an adverse impact on the 'sustainable resource development' criterion. KPMG therefore issued a qualified VFM conclusion on an 'except for' basis, which is consistent with the VFM opinion given in 2016/17.

From 1 September 2018 Deloitte LLP was appointed as the Council's external auditor, this was 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).

Deloitte were unable to complete their audit of the 2018/19 financial statements before the deadline of 31 July. In July 2019 Deloitte reported to the Audit Committee that their audit was ongoing and would not be complete because of delays in delivery of supporting working papers for audit from management and delays in receiving information and explanations in response to subsequent audit queries. There were also open issues which needed to be resolved prior to finalisation of their report. The significant issues they highlighted included misstatements and disclosure deficiencies.

The auditors also indicated they would most likely be issuing a qualified “value for money conclusion” because Ofsted’s 2018 report and subsequent monitoring reports indicated (notwithstanding the improvement trajectory) that proper arrangements to secure to secure economy, efficiency and effectiveness in the use of resources were not in place throughout the whole of the period covered (the 2018/19 financial year).

The full report is available [here](#) (item 4).

In response, the Council developed an action plan that has been overseen by the S.151 Officer and the Deputy Section 151 Officer; additional resources have been sourced to complete the plan and produce a revised set of accounts and a dedicated finance improvement team has been created for additional support. The Council anticipates the accounts will be closed by January 2020.

### Other Inspections

During 2018/19 external inspectors from Ofsted and the Local Government Association have completed 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, all of the scheduled Ofsted monitoring visits have now been completed. The full inspection of the service was completed during June 2019. The majority of the monitoring reports have highlighted areas of improvement across Children’s Social Care. They have also helpfully pointed out areas where further work is required, and we have focused much activity on strengthening these aspects of practice in order that we can present a strong and positive account of practice throughout the upcoming inspection. The final judgement from the full inspection in June was published at the end of July 2019 and Ofsted rated the Council as Good.

The full report is available [here](#).

### Local Government Association (LGA) – Corporate Peer Challenge

During June 2018, the council took part in a four day Local Government Association led Corporate Peer Challenge. The LGA Peer Challenge team were asked to review the following:

1. How the Council adequately addressed the directions issued by MHCLG and the expectations of the departed commissioners.
2. Whether the Council is addressing its chosen priorities and delivery continued improvements to local residents and businesses.
3. Whether the Council is identifying key challenges and setting realistic and ambitious targets for the future.

The final feedback report issued to the Mayor and the Chief Executive concluded that:

1. The directions of MHCLG and the expectations of the departed Commissioners were to consider to improvements in the areas of: Grants; Procurement; Property; Election and Communication and Culture. In summary the peer team believes that there have been significant improvements in all the areas identified.
2. The Council set priorities were adopted from the Mayor's Manifesto. These priorities are now being incorporated in a refreshed Strategic Plan.
3. The Council clearly understands its population, their needs and the challenges in addressing these needs. These are reflected in the revised Strategic Plan and its improvement work.

As a result of the feedback received improvement actions were developed with the delivery of these monitored by the Transformation & Improvement Board.

The full report is available [here](#).



## Council Owned Companies and Partnerships

### Tower Hamlets Homes

The Council has 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.

During 2018/19, the Council commissioned Altair to support it in exploring options for the delivery of its housing management services beyond the end of the current management agreement. The review was undertaken in two stages; consisting of a baseline assessment and an options review. The purpose of the baseline Assessment stage of the project was to review the current strategic, operational and financial context of LBTH, and to assess the effectiveness of THH as a housing manager, considering its strengths and challenges.

Overall, Altair assessed that THH is a generally well-performing housing manager in terms of both housing management performance and cost. There is room for improvement in some key areas of service delivery, but evidence of performance improvements over recent years and an extensive transformation programme currently being delivered are positive. The review further found no performance or financial imperative to significantly change the housing management arrangements for the LBTH stock currently managed by THH.

The Council's Internal Audit team provides internal audit services to THH. In keeping with the Public Sector Internal Audit Standards, the Head of Internal Audit issued an annual opinion about the governance, risk management and internal control arrangements. The opinion was as follows:

*On the basis of the audit work undertaken during the 2018/19 financial year, my overall opinion on the organisation's system of governance, risk and control is that **substantial** assurance can be provided that the internal control environment*

*(including the key financial systems, risk and governance) is in the main well established and operating effectively in practice.*

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

### Seahorse Homes Limited

Seahorse Homes Limited is a wholly owned company limited by shares established in 2017, to provide market rented homes and deliver a return on investment, both to cross-subsidise affordable housing and to fund wider General Fund services. The agreed business plan sets out its intention to acquire homes and then to develop homes. The Council holds 100% of the shares in this company and has initially committed £6m in equity. The company has yet to start trading. The Board of Directors is comprised of three Council officers. Following staffing changes within the Council the composition of the Board is being reviewed to minimise potential conflict of interests.

### Mulberry Housing Society

Mulberry Housing Society is a not-for-profit charitable Community Benefit Society (CBS) established in 2017. The Council funds the CBS and holds two of five seats of the Board, the others being held by independent people initially appointed by the Council. 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. There were no financial transactions through the CBS in 2018/19. As an independent CBS, the Council does not have any equity shareholding in the company but intends to fund activities through retained right to buy receipts and loan finance.

### PLACE Ltd (Pan-London modular Temporary Accommodation)

This not-for-profit company limited by guarantee (CLG) was set up by the Council in 2018 is a collaborative enterprise between a group of London Boroughs. The company will purchase modular homes that can be delivered to 'meanwhile' sites across the capital and relocated several times over a minimum 40 year lifespan. The pilot site is likely to be in Tower Hamlets. The company

has secured capital grant from the Greater London Authority, which will be administered by the Council. In addition, the Council is considering providing a capital loan facility to the company. As a CLG, the Council does not have an equity shareholding in the company.

#### Capital Letters (London) Ltd (Pan-London TA procurement hub)

This not-for-profit company limited by guarantee (CLG) was set up by the Council in 2018 and is a collaborative enterprise between a group of London Boroughs. The company will lease private properties for use as temporary accommodation and tenancies to prevent homelessness. The company has secured revenue grant funding from MHCLG which will initially be administered by the Council; a Chief Executive and Chief Finance Officer have been appointed in 2019 and they will be adopting their own processes and procedures including for the payment of salaries and maintenance of accounting systems. The Council may provide a loan facility to the company to support positive cash flow. As a CLG, the Council does not have an equity shareholding in this company.

#### **Significant Governance Issues**

Corporate Directors are required to consider whether there have been any significant governance issues. For the purposes of this review we have defined a significant governance issue as something that:

- Seriously prejudiced or prevented achievement of one or more principal objectives.
- Resulted in the need to seek additional funding to resolve the issue.
- Required a significant diversion of resources.
- Had a material impact on the accounts.
- Resulted in significant public interest or has seriously damaged the reputation of the Council.
- Resulted in formal actions by the Section 151 (Corporate Director, Resources) or Monitoring Officer (Corporate Director, Governance).
- Received significant adverse commentary in an external inspection report and was not or cannot be addressed in a timely manner.

Progress against Significant Governance Issues Identified in 2017/18

In 2017/18 the AGS included three significant governance issues which needed to be addressed during 2018/19. All actions have been completed and closed.

No.	Action	Outcome
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.	The improvement plan outcomes have been delivered.
2.	To continue to deliver improvements in Children’s Services that respond to the Ofsted findings.	Ofsted re-inspected the authority and published their report in July 2019 which concluded the Council has made significant improvements and rated the service as Good.
2	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.	This action has been delivered. Internal Audit continued to provide support and assisted the service in reconciling its records and payments. A further audit will be undertaken in 2019/20.

Significant Governance Issues Identified in 2018/19

All five Corporate Directors submitted their returns for 2018/19 to the Chief Executive. The Corporate Directors of Place, Governance, Children’s & Culture confirmed there were no significant governance issues. The Corporate Directors for Health, Adults & Community and Resources identified several issues, the most significant were as follows:

No.	Issue	Action	Responsible	Timescale
1	Outstanding Payments to care providers end of year accrual process and implementation of Electronic Home Care Monitoring. Associated adverse end of year budget	Outstanding Payments Hub established to recover position on monies owed to providers – external input to design (Socitm) and CPMO oversight and support.	Claudia Brown, Divisional Director, Adult Social Care & Allister Bannin,	December 2019

No.	Issue	Action	Responsible	Timescale
	position in relation to adult social care.	<p>Review of accruals process and improvements to monthly budget process particularly around home care.</p> <p>Commissioned review of Electronic Home Care Monitoring from Socitm – final report now prepared and recommendations being discussed and implemented.</p>	<p>Finance</p> <p>Adrian Osborne, Finance Business Partner &amp; relevant managers</p> <p>Denise Radley &amp; Divisional Directors &amp; Finance Business Partner</p>	<p>Monthly</p> <p>End July 2019 and then implementation</p>
2	Adult Social Care Improvement – consistent practice and quality	<p>Improvement Board replaced by Quality Assurance Board during 2018/19.</p> <p>Independent input from LGA Care &amp; Health Improvement Advisor. Internal audits &amp; follow ups of relevant areas). Further actions include need for improved data to support performance &amp; quality improvement and recruitment and retention of social workers.</p>	Claudia Brown, Divisional Director Adult Social Care	Plans extend throughout 2019/20
3	<p>There are significant issues with the 2018/19 accounts closure which continues to require extensive remedial actions. This has included:</p> <ul style="list-style-type: none"> <li>Weaknesses in how accruals have been raised.</li> </ul>	<p>An action plan has been developed and is being overseen by the S.151 Officer and the Deputy Section 151 Officer.</p> <p>Additional resources have been sourced to complete the plan and produce a revised set of accounts.</p>	<p>Corporate Director, Resources.</p> <p>Divisional Director,</p>	January 2020

No.	Issue	Action	Responsible	Timescale
	<ul style="list-style-type: none"> <li>Pension fund deficit and accounting.</li> <li>Valuation of infrastructure and temporary accommodation assets.</li> <li>Accounting processes for the collection and general funds.</li> </ul>	<p>Advice and support is being support from other London Boroughs and Grant Thornton.</p> <p>A dedicated finance improvement team is being created for additional support.</p>	Finance, Procurement and Audit.	
4	<p>The Council is in an overspend position. There has been significant slippage in the achievement of savings targets c. £10 million. The position may change (for the worse) as the as accounts need to be restated.</p>	<p>The Corporate Leadership Team is committed to meeting the financial challenges. All directorates will monitor and find ways to proportionally respond to the increasingly challenging financial and demand position whilst delivering statutory duties and existing savings targets. The financial position will be closely monitored and reported to CLT and MAB.</p>	Corporate Directors and Budget Managers.	March 2020
5	Budget Management needs to be improved across the Council	<p>A new budget handbook has been produced and will be launched imminently.</p> <p>Finance will provide training and guidance to budget managers. The finance improvement team will provide additional support.</p> <p>CLT will adopt a more challenging approach to the delivery of Recovery Plans and discretionary spending decisions.</p>	<p>Divisional Director, Finance, Procurement and Audit</p> <p>Corporate Directors and all Budget Managers</p>	March 2020

No.	Issue	Action	Responsible	Timescale
6	<p>There are performance issues in relation to Pension Administration that includes:</p> <ul style="list-style-type: none"> <li>• Data quality</li> <li>• Refund backlogs</li> <li>• Transfer backlogs</li> <li>• Delays to annual allowance reviews.</li> </ul>	<p>The actuary is completing urgent reviews of annual allowances.</p> <p>Recruitment to vacancies is being pursued as a matter of urgency.</p>	<p>Divisional Director, Finance, Procurement and Audit</p>	<p>December 2019</p>
7	<p>There is an overspend on the Dedicated Schools Grant. In addition, there is demand and budget pressure on SEND and the associated transportation.</p>	<p>The financial position will be closely monitored and reported to CLT and MAB.</p> <p>A financial recovery plan has been produced and submitted to the Department for Education.</p> <p>A wider review of SEND is being undertaken and will be focussed on demand and funding management.</p> <p>SEND Transportation has recently been reviewed by Grant Thornton and options to manage demand and costs have been presented to the Directorate for their consideration and implementation.</p>	<p>Corporate Director, Resources</p> <p>Corporate Director, Children's and Culture.</p>	<p>December 2019</p>

No.	Issue	Action	Responsible	Timescale
8	Internal Audit has been under resourced as a result of vacancies, misaligned work force and no external delivery partner. There is a risk that the current and future annual opinions will be limited in scope and/or unsafe.	<p>All vacancies to be filled as a matter of urgency.</p> <p>Existing temporary staff, where appropriate, to be moved to permanent contracts.</p> <p>External delivery partner to be sourced urgently.</p>	Head of Internal Audit	November 2019

## Conclusion and Opinion

### Opinion

We are satisfied that the Council has adequate governance arrangements in place. Governance is generally working well but we acknowledge that there are areas where we must improve, particularly in relation to the Council's statement of accounts and spending. We are committed to improving and have included a plan to record actions for 2019/20. We will report progress against these actions at the next annual review.

### Definitions

As part of this review we have provided an opinion on the level of assurance that the governance arrangements can provide and whether the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. To assist with this assessment, we have defined the opinion ratings as follows:

#### **Good**

Strong governance arrangements exist, they are operating effectively, and minimal improvements are required.



**Adequate**

The governance arrangements are adequate and support the Council in meeting its objectives, but improvements are required to achieve good governance.

**Requires Improvement**

There are significant governance issues which may result in the Council failing to achieve its objectives.

DRAFT