

# London Borough of Tower Hamlets Good Governance

25 June 2018

Final

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25 June 2018

FAO Steven Tinkler, Interim Head of Risk Management and Audit

Dear Steven

## Review of the Council's governance arrangements against CIPFA's "Delivering Good Governance in Local Government" (2016).

We have pleasure in enclosing a copy of our final report in accordance with your instructions outlined in the contract variation dated 21 February 2018. This document (the Report) has been prepared by Grant Thornton UK LLP (Grant Thornton) for the purpose of reporting our findings from our review of the governance arrangements (the Project) of London Borough of Tower Hamlets (the Council). The report sets out the findings from our work.

We agree that the Council may disclose our Report to its professional advisers directly involved in the appraisal of the Project, and also to officers and Members of the Council solely in relation to the Project, or as required by law or regulation, the rules or order of a stock exchange, court or supervisory, regulatory, governmental or judicial authority without our prior written consent but in each case strictly on the basis that prior to disclosure you inform such parties that (i) disclosure by them is not permitted without our prior written consent, and (ii) we accept no duty of care nor assume responsibility to any person other than the Addressee.

The Report should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent, such consent will only be given after full consideration of the circumstances at the time.

These requirements do not apply to any information, which is, or becomes, publicly available or is shown to have been made so available (otherwise than through a breach of a confidentiality obligation).

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council for our work, our Report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee(s) for any purpose other than in connection with the Project.

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## Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format, multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

## General

The report is issued on the understanding that the management of the Council have drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after this date.

Notwithstanding the scope of this engagement, responsibility for management decisions will remain solely with the Council and not Grant Thornton. The Council should perform a credible review of the observations and options in order to determine which to implement following our advice.

## Sources of information

Where our work is based primarily on information and explanations provided to us by the management team of the Council, our work will be carried out on the assumption that the information is reliable and, in all material respects, accurate and complete. We will not subject the information to checking or verification procedures except to the extent expressly stated.

## Contacts

If there are any matters upon which you require clarification or further information please contact Guy Clifton (020 7728 2903, [guy.Clifton@uk.gt.com](mailto:guy.Clifton@uk.gt.com)) or Ginette Beal (0117 3057623, [ginette.beal@uk.gt.com](mailto:ginette.beal@uk.gt.com)).

Yours sincerely

**Guy Clifton**  
**Head of Local Government Advisory**  
**For Grant Thornton UK LLP**

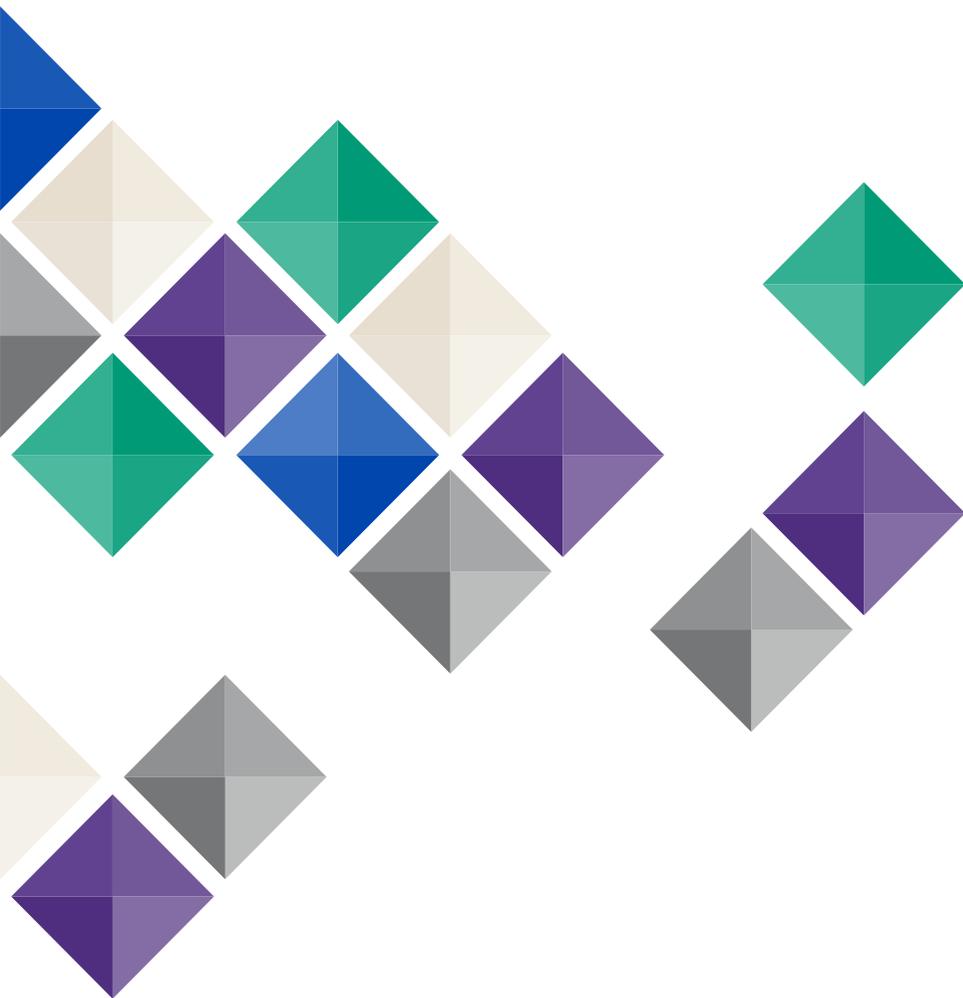
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# Executive Summary

## Approach

Grant Thornton, the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Centre for Public Scrutiny (CfPS), with Grant Thornton leading, have been jointly commissioned to assess the effectiveness of the Council's arrangements against CIPFA's "Delivering Good Governance in Local Government" Framework (2016). Together, we have provided specialist experience and knowledge. We have utilised our experience so that those individuals from each of the three organisations have focused on their respective specialisms with our findings presented in this report.

Our approach included:

- review of the Council's core governance roles as set out in its constitution, associated schemes of delegation, and any supporting documents, and consideration of the responsibilities and accountabilities within the Council's governance and management structure
- mapping and assessing the effectiveness of the Council's arrangements against the 7 Principles and 21 sub-principles set out in CIPFA's "Delivering Good Governance in Local Government" Framework (2016), current best practice. The framework sets out 91 specified behaviours and actions that demonstrate good governance, each with a number of systems, processes and documents to be used as evidence. We have considered these behaviours to assess the Council's processes.

In order to meet the short timeframe of this review we have undertaken a high-level review, further more detailed assessment would be required to confirm how embedded the assurances processes are across the Council.

Our reviewed included the following:

- documentation review, a wide range of documentation from across the Council
- stakeholder meetings in those areas where further information was required and to confirm our understanding.

This was an optional review that the Council chose to undertake to assess its governance arrangements in line with best practice, to ensure continuous improvement and to be recognised as leading edge in comparison to others. This review forms part of the Council's approach to achieving this recognition.

The Annual Governance Statement is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively. It is of corporate importance and applies to processes and procedures across the Council, not just financial systems, processes and procedures.

Our findings and key issues are summarised against the seven principles of the CIPFA code as follows:

- 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 optimise 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.

## Summary Findings

The Council is part-way through a significant programme of change in response to well documented governance failures, leading to external intervention by Commissioners. The Council has invested significant effort and worked at pace to respond to these issues.

However, the Council is now left with a complex governance structure with a range of committees and sub-committees which were created to support improvement activity. Our findings suggest officers feel that these structures are inflexible at times and lead to duplication of effort. Our findings further suggest that middle management do not feel empowered due to the legacy of intervention, complex accountability structures, and the need for a wide range of decisions and information to progress through multiple decision-making bodies to the Corporate Leadership Team and Members.

# Executive Summary (cont'd)

## Summary Findings (cont'd)

Our findings identify some good practice in relation to governance, in particular that relevant policies, procedures and codes of conduct do appear to be in place. However a residual culture of weak compliance is acting as a brake on improvement efforts and good practice is not yet embedded across the Council.

For example, we have identified a lack of compliance in areas such as completion of service plans (known as Team Plans), registration of gifts and hospitality, financial and performance management, and response to recommendations raised by Internal Audit. The indications are that this culture of weak compliance is allowed to persist through a lack of ownership and accountability within some areas across the Council.

### A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a range of documents and codes in place that provide the basis for an effective governance framework, such as the codes of conducts and guidelines on declaration of interests and gifts and hospitality. Guidance for Members is provided through the Constitution.

The Council recognises issues around the consistency of engagement with Members in key governance processes. Cross-party engagement and effective consistent engagement from independent Members are areas for improvement.

This was recognised as an issue by the Commissioners and a range of initiatives were introduced to improve the level of engagement of independent Members, such as the Governance Review Working Group, a number of protocols and a review of scrutiny arrangements.

We identified that arrangements for officers are being undermined by a lack of consistency and compliance. The registers for employees (gifts and hospitality) are not consistently maintained and monitored across the Directorates, as evidenced by an internal audit review of Control and Monitoring of Hospitality Arrangements in 2016.

Our own review of the hospitality register for Members, identified that only seven Members (including the Mayor) have registered a hospitality or gift since 2015. Based on our experience from elsewhere this seems surprisingly low, and so may indicate a need for support to Members to assist them in understanding their obligations in this area.

A more detailed review of Member Registers of Interest– including on individual Members' web pages - is recommended to draw more in-depth conclusions.

We are aware that attendance at mandatory training for employees could be improved. Unfortunately the Council is not able to effectively monitor attendance, however, there are indications that action is taken for non-attendance in some cases.

The Council has a tracking system in place to ensure that all reports and decisions to both Members and CLT are reviewed and commented upon by legal and finance representatives. We recognise the need for this level of rigour, however this process does not always support effective decision-making in that poor engagement earlier in the process of developing proposals leads to delays and limited opportunity for a more collaborative approach. This tracking process also creates a considerable administrative overhead for the organisation.

The Council provides a range of training for Members, including induction training. However, this training is generic and would be more beneficial if it focused on the individual needs of Councillors.

### B. Ensuring openness and comprehensive stakeholder engagement

The Mayor's Transparency Protocol and the Transparency Commission established in September 2015, along with the separate Clear-up project, demonstrate the Council's public commitment to openness and transparency. In addition decisions taken by Members and officers are documented on the Council's website. These are positive and welcome steps.

Well-documented historical weaknesses in the award of grants have been addressed, including through establishment of the Grant Determination Committee. An additional layer of scrutiny was introduced through the Grants Scrutiny Sub-Committee. Both are public committees and all decisions are also available on the Council's website. Again, these changes have done much to respond to weaknesses of the past.

The Council is in the process of engaging with its partners to refresh its Community Plan and reinvigorate the Tower Hamlets Partnership. This is a step in the right direction towards evolving from collaboration based on statutory requirements alone to more strategic alliances and partnerships based on trust and shared priorities.

# Executive Summary (cont'd)

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Council's vision and priorities are set out in the Community Plan. The outcomes and priorities within this document were developed and agreed with the previous administration and elected mayor, as a result they may not fully reflect the strategic direction of the current administration. Work is underway to refresh the Community Plan and collaboration with the Tower Hamlets Partnership. This should ensure the current administration collectively agrees the vision and supporting outcomes for the Council. In addition, the Council's efforts to develop and embed a renewed focus on priority outcomes for local communities is positive.

There is room for improvement in how the Council articulates its priority outcomes in terms of social and environmental impact, and how it intends to use Social Value legislation to improve the economic, social and environmental well-being of Tower Hamlets through its commissioning and procurement arrangements.

The Council should update its capital strategy to reflect the changing socio-economic conditions in the Borough, and also consider amending existing processes for approval of capital expenditure. Currently capital plans are developed within individual Directorates and would benefit from the introduction of a central gateway process to ensure a consistent approach and to enable resources to be consistently aligned to the Council's strategic priorities.

The Council's agreed outcomes are documented within Directorate Service Plans and should be documented within Team Plans. However, we have established that Teams plans are not in place in all Directorates.

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Most interventions during 2016/17 were driven by the need to comply with Commissioners' requirements. As at February 2017 all 205 actions in the Best Value Action Plan put in place by Commissioners have been delivered with further implementation activity set out in Tower Hamlets Best Value Improvement Plan 2017/18. These interventions were reactive in nature and required to bring governance arrangements up to standard. The resulting governance framework now needs to be streamlined.

The Council has a range of strategies to assist it in delivering the necessary interventions, such as the MTFS, assets strategy and workforce strategy. Greater synergy is required between this family of strategies as they do not visibly support each other at present and there is no sense of a single set of priority outcomes that drive all strategies. The Council is therefore not yet in a position where it can be clear about its prioritisation of resources in relation to desired outcomes.

Outcome-based budgeting has been introduced to address this whilst achieving the savings required, although change is not yet fully embedded across the Council.

Based on CIPFA's Financial Management Model, we have identified that ownership of financial management and budgets, including savings targets, is inconsistent across services. The Council's finance function is currently decentralised and there is evidence of ineffective links with departments. Corporate finance have the role of challenge and of providing advice to Senior Management/Members for decision-making purposes but this is not as effective as it should be. The finance business partner role is also not working effectively. Finance are not yet in a position to assert their influence and ensure that budgets are achieved. In addition, failure to address budget over and under spends needs to be addressed, including the use of reserves. The Council is currently reviewing its finance structures, which may offer part of the solution to these issues.

The Council has established improvement boards, for areas in which performance has been identified as below expectations. However, the Ofsted inspection of Children's Services identified that the Children's Services Intervention Board was not effective. Ofsted confirmed that it was established in September 2016 and had limited impact, it lacked an overarching strategic plan to systematically drive the extensive change required.

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The majority of Corporate Directors and Senior Managers are relatively new in post and are therefore developing as a team. The Council is working to improve the capabilities of its wider leadership cohort, including middle management, and there is agreement that much work remains to be done to ensure consistent skills in this group. In addition staff structures and reviews have been undertaken which have identified weakness in staff skills and capacity, such as the Third Sector Team and Youth Services. A restructuring process is underway within the Resources Directorate with the aim of addressing capability and capacity issues.

As discussed earlier the governance structure has changed and been modified to address weaknesses identified by Commissioners. As well as increasing the risk of duplication, the increase in committees and Boards will also have an impact on capacity.

# Executive Summary (cont'd)

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it (cont'd)

In recent years, several key posts have been occupied by interim staff, often responsible for areas to do with transformation and ensuring sustainability of outcomes. There is a sense that this has led to a lack of continuity and loss of corporate knowledge, which in turn has impacted on the Council's ability to achieve sustainable outcomes, enabling processes to be embedded and ownership of inherited strategies to be achieved.

## F. Managing risks and performance through robust internal control and strong public financial management

Risk management systems are operating within the Council, but compliance and embedding risk management in operational practice requires improvement. The management information provided by the risk management IT system is not shared, updated and used effectively by risk and control owners, indicating the need for a behavioural change.

Focusing specifically on financial management, as part of this review CIPFA has concluded that the Council has an adequate system of internal control in place. However, compliance with Internal Audit recommendations is an issue that should be addressed with improved tracking and accountability.

Financial management needs to be fully embedded and reinforced at all levels of the organisation. Improving outdated financial systems should be underpinned by stronger strategic leadership needed to promote ownership and accountability for financial management. For example, behaviours such as the circumventing of mandatory training should be discouraged, and actions to enforce personal accountability over a failure to deliver targeted savings should be undertaken.

Performance management – both financial and operational - is an area for development. There is a lack of high quality performance data based on clear outcomes and priorities. Supporting systems are not robust or regularly updated. Performance systems and processes are also undermined by the absence of adequate budget information and a weak performance management culture. The Council has taken significant steps in addressing the former through the use of a new performance management system – Covalent – which is aimed at aligning spend and performance monitoring. This system is in the process of being implemented.

The Ofsted inspection of children's services identified that performance management and quality assurance systems were not underpinned by reliable management information. An improvement board has been established to address the recommendations made by Ofsted.

As discussed earlier risk and performance management processes are also undermined by a lack of team plans in some areas. Without these the Council lacks the baseline against which performance can be monitored in those areas.

## G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Committee reports are available on the Council's website and provide adequate information to support decision making. However, the systems in place to review and authorise reports may be having an impact on the time taken to reach decision makers. It is standard practice for financial and performance reports to take three months before they are seen by Cabinet – this is significantly longer than in our experience elsewhere.

The Council received a qualified VfM conclusion from auditors in 2015/16, but otherwise met its statutory financial requirements and reporting deadlines.

A summary of the RAG ratings for each of the principles can be found overleaf.

# Executive Summary (Cont'd)

We have graded the quality of the evidence we were provided and fitness for purpose of the Councils arrangements using a Red/Amber/Green (RAG) approach as set out here.

In each of the areas we considered the direction of travel.

-  **Arrangements meet or exceed adequate standards.** Adequate arrangements identified and key characteristics of good practice appear to be in place.
-  **Potential Risks and/or weaknesses.** Adequate arrangements and characteristics are in place in some respects but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
-  **High risk.** The Council's arrangements are generally inadequate or may have a high risk of not succeeding.
-  **Improving:** The indication is that arrangements are improving over time
-  **Neither improving or deteriorating.** No evidence of improvement or deterioration
-  **Deteriorating.** Indications are that arrangements are deteriorating over time

Principles	Sub Principles	RAG rating 2017	Direction of Travel
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	A1. Behaving with integrity	Yellow	Upward arrow
	A2. Demonstrating strong commitment to ethical values	Yellow	Upward arrow
	A3. Respecting the rule of law	Yellow	Upward arrow
B. Ensuring openness and comprehensive stakeholder engagement	B1. Openness	Green	Upward arrow
	B2. Engaging comprehensively with institutional stakeholders	Yellow	Upward arrow
	B3. Engaging stakeholders effectively, including individual citizens and service users	Green	Double-headed arrow
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits	C1. Defining outcomes	Yellow	Upward arrow
	C2. Sustainable economic, social and environmental benefits	Yellow	Double-headed arrow
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	D1. Determining interventions	Red	Upward arrow
	D2. Planning interventions	Red	Upward arrow
	D3. Optimising achievement of intended outcomes	Red	Upward arrow

# Executive Summary (Cont'd)

We have graded the quality of the evidence we were provided and fitness for purpose of the Councils arrangements using a Red/Amber/Green (RAG) approach as set out here.

In each of the areas we considered the direction of travel.

-  **Arrangements meet or exceed adequate standards.** Adequate arrangements identified and key characteristics of good practice appear to be in place.
-  **Potential Risks and/or weaknesses.** Adequate arrangements and characteristics are in place in some respects but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
-  **High risk:** The Council's arrangements are generally inadequate or may have a high risk of not succeeding.
-  **Improving:** The indication is that arrangement are improving over time
-  **Neither improving or deteriorating.** No evidence of improvement or deterioration
-  **Deteriorating.** Indications are that arrangements are deteriorating over time

Principles	Sub Principles	RAG rating 2017	Direction of travel
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	E1. Developing the entity's capacity	Red	Upward arrow
	E2. Developing the capability of the entity's leadership and other individuals	Red	Upward arrow
F. Managing risks and performance through robust internal control and strong public financial management	F1. Managing Risk	Yellow	Upward arrow
	F2. Managing Performance	Red	Upward arrow
	F3. Robust Internal Control	Green	Double-headed arrow
	F4. Managing Data	Green	Double-headed arrow
	F5. Strong Public Financial Management	Red	Double-headed arrow
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability	G1. Implementing good practice in transparency	Green	Upward arrow
	G2. Implementing good practices in reporting	Yellow	Upward arrow
	G3. Assurance and effective accountability	Yellow	Double-headed arrow

## Acknowledgement

We would like to thank all officers for their assistance in conducting this review.

# Observations

We have identified the following cross-cutting observations, if these actions are implemented then the governance arrangements within the council should improve.

Observations
<p><b>Governance Structure</b></p> <p><b>Review the existing governance structure to ensure it is efficient and effective.</b>                      The Council is part-way through a significant programme of change in response to well documented governance failures, leading to external intervention by Commissioners. The Council has invested significant effort and worked at pace to respond to these issues. However, the Council is now left with a complex governance structure with a range of committees and sub-committees which were created to support improvement activity. Officers feel that these structures are inflexible at times and lead to duplication of effort. We consider that the Council would benefit from reviewing these arrangements to assess if they could be streamlined.</p>
<p><b>Maintaining appropriate governance systems policies and procedures and ensuring compliance</b></p> <p><b>Ensure policies and procedures are up to date and fit for purpose.</b>                      Policies and procedures provide the basis for how employees should behave and carry out their duties and functions. They should be reviewed annually and updated to ensure they remain fit for purpose. The interdependencies of differing policies and procedures should be considered and taken into account. Consideration should be given to how these could remain 'living documents'. Staff should be regularly trained and asked to confirm their understanding; this could be achieved through annual declarations and an adequate tracking mechanism.</p>
<p><b>Improve the performance management system and the quality and accuracy of the management information which supports it</b>                      The Council should improve performance management information so that it can support effective decision making and enable appropriate interventions to be undertaken to support its intended outcomes and priorities. Directorate Service Plans should be supported by Team Plans across the Council and should be monitored through agreed assurance processes.</p>
<p><b>Improve the arrangements within Children's Services</b>                      The Council has accepted the recommendations made by Ofsted and an Improvement Board has been established and should continue to implement these recommendations.</p>
<p><b>Culture and engagement</b></p> <p><b>Improve Organisational Culture</b>                      The Council should consider how it can address those behaviours which do not support the Council's strategic direction and undermine the revised Constitution, policies and procedures. The culture of weak compliance is allowed to persist through a lack of ownership and accountability within some areas across the Council.</p>
<p><b>Continue to work with Members to improve engagement</b>                      The Council should continue to improve cross party engagement and should build on the work begun by the Governance Review Working Group.</p>
<p><b>Financial management</b></p> <p><b>Improve Financial Management</b>                      The Council has accepted the findings within CIPFA's Review of Financial management. It should continue to address the recommendations raised.</p>

# Summary Findings

# A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>A1.</b></p> <p><b>Behaving with integrity</b></p>	<p>The Council has a range of documents available to officers that provide guidelines on ethical behaviour, such as the Code of Conduct and guidelines on Declarations of interests and gifts and hospitality. Guidance for Members is provided through the Constitution. However, the indications are that behaviours for officers and Members may deviate from the Council's policy requirements.</p> <p>➤ <b>Declarations of Interest. Gifts and Hospitality</b></p> <p>The Council provides written guidance for officers and line managers on completing Declarations of Interest, this is included in the Employee Code of Conduct and the Staff Handbook. Failure to complete annual declarations of interest by officers has been addressed in 2016/17. Employees are reminded more regularly to complete their annual declaration of interest by the HR Service. We understand (based on the Council's response to External Audit) that current completion rate is 99.75%. We are aware that the current system used to record this information does not enable a summary to be available to managers, which limits managers' ability to proactively manage any conflicts.</p> <p>The Hospitality Policy clearly states a zero-tolerance policy towards accepting outside gifts and hospitality. Hospitality is discouraged and the document draws a clear link between acceptance of hospitality and the negative impact on perception of public service. The Hospitality Procedure was last reviewed in 2011 and a recommendation made by Internal Audit in November 2016 to update the policy remains outstanding.</p> <p>We reviewed the gifts and hospitality register and selected a small sample of Members. Our review identified that the annual declaration is completed. The gifts and hospitality register, however, suggests limited understanding and that items may be being accepted but not reported. A more detailed review of Member Registers of Interest – including on individual Members' web pages - is necessary to draw more detailed conclusions.</p> <p>The staff hospitality registers are maintained by the individual directorates. Internal Audit established that maintenance of these registers is not consistent across the Council, with the majority of Directorates not monitoring compliance with the Council's policy.</p> <p>We reviewed the quality of governance discussions at Standards Committee. Discussions suggest Members are not owning governance reform through role modelling; governance is seen as narrowly being the remit of two working groups. Debates about timesheet-keeping demonstrate that they place too much reliance on directives from the Cross-party Governance Review Working Group.</p> <p>Member induction training is provided, this training is generic and would be more beneficial if it focused on the individual needs of Councillors.</p>	<p style="text-align: center;"><b>Potential risks and weaknesses</b></p>	<p style="text-align: center;"></p>
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>Existing policies that underpin the Council's ethical standards should be updated and reviewed annually to ensure their effectiveness.</li> <li>Arrangements should be improved to ensure compliance with the Council's ethical standards. This should include the role of Management to ensure monitoring compliance and effective ownership.</li> <li>Member induction should be focused on the needs of individual Councillors.</li> </ul>			

## A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>A2.</b></p> <p><b>Demonstrating strong commitment to ethical values</b></p>	<p>The Council has achieved much to create the right conditions for embedding ethical values. However, the indications are that the commitment is inconsistent across parties and individual Members.</p> <p>The establishment of the Transparency Commission and the Clear-up project have demonstrated the Council's commitment to openness and transparency. Statements from the Mayor within documents such as the Community Plan also demonstrate the Council's leadership commitment to openness and transparency.</p> <p>The Council's Constitution and updated sections include the Nolan principles. The section on Standards and Ethics provides the basis, but does not contain a clear statement setting out Members requirement to uphold the Nolan principles.</p> <p>The Council has recognised that its values required review and updating. These have been agreed and are being cascaded to all staff. Work to re-establish the Local Strategic Partnership has also begun, and when completed, should ensure that the Council's values have been shared with key partners and the local community.</p> <p>Ethical behaviour is embedded in the procurement and commissioning process. An ethical Supplier Code of Conduct is in place; all procurement contracts require suppliers to sign up to this. Ethical requirements also cover a London living wage requirement and fair trade standards. Our experience, however, indicates that this code is not being consistently applied across all procurement routes.</p> <p>Commitment by Members to ethical values is not consistent across the Council. This is due to the varying degrees of engagement of Members with key initiatives to increase and embed ethical principles into Member conduct (for example, a number of working groups). The Council is aware that it needs to improve Member arrangements and has progressed this through cross party working in the Governance and Constitution Review working groups and the development of Member to Officer and Member to Member protocols. Ethical training features in the latest Member Learning and Development programme. However, key stakeholders involved in supporting Members are not aware of the training and were unable to provide details. Review of DOI and Member Attendance training disclosed at Standards Committee shows a poor record of mandatory training attendance.</p> <p>We heard from officers that SOLACE is supporting Council work on Member to Member behaviour and are also producing a protocol from this work. The Member officer protocol is also being redrafted which will take into account learning arising from the SOLACE input. There are still challenges in engaging with some independent Members and in ensuring that some Members fully understand their roles and responsibilities. We are concerned that it is not clear who has the responsibility for encouraging engagement of independent Councillors in the wider business of the Council.</p>	<p><b>Potential risks and weaknesses</b></p>	

## A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (cont'd)

### Sub-principle

### Observations

- The Council should consider whether existing arrangements in the appointment of Members to external bodies provides the appropriate level of support to enable them to fulfil their roles and responsibilities to both the external body and the Council.
- In its plans for Member induction following May 2018 local elections, the Council should consider the needs of Councillors who may require additional support to carry out their roles and responsibilities and make arrangements for providing this support.
- The Member to Member protocol should be completed as it will demonstrate to staff and the public that Members are concerned about changing their political behaviours and are working in the interests of the Council.
- The setting up of a Whips Working Group may be helpful in taking forward and ensuring that a political culture is based on the Nolan principles. This will underpin the way in which Members take forward their roles and carry out their responsibilities.

## A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>A3.</b></p> <p><b>Respecting the rule of law</b></p>	<p>The constitution sets out the procedures for Members of the Planning and Licensing Committees. Members must attend mandatory training sessions which sets out the law, policies and associated regulations for these quasi-judicial areas. It also sets out the specific functions and duties associated with key officers plus schemes of delegations. Article 13 outlines the Decision making framework.</p> <p>Committee reports include a section for legal comments. Our conversations with the Monitoring Officer indicate that members of the legal team provide legal comments before every CLT and every full Council meeting.</p> <p>The Council has a process in place that tracks and logs all reports to ensure they have been reviewed by the legal and finance departments. However concerns were raised that this process is inflexible and risk averse. In addition the advice and support provided is viewed as 'bolt on' and is often provided at a late stage in the process and should be delivered in a more collaborative way with constant dialogue.</p> <p>The lifting of directions, indicates that the Council is also now complying with its statutory Best Value duty to a sufficient extent.</p> <p>The Council sets out employees' responsibilities within its Anti-Fraud and Corruption Strategy and includes reference to Nolan's seven principle of public life. In addition the Financial Regulations and the Officers Code of Conduct require staff to raise their concerns where irregularity is suspected.</p> <p>We are aware that officers may not always fully understand and correctly apply the policies and procedures in place and as a result may incorrectly respond or deal with issues. This lack of understanding and knowledge leaves the Council exposed to legal challenge. For example treating a whistleblowing concern as a staff grievance could result in reputational damage as well as legal challenge.</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>The Council should consider how it can introduce greater flexibility within the governance structure and ensure that support functions such as finance and legal are engaged in the preparation and build up of key decision making reports. The current inflexible approach impacts on decision making, it delays the process or creates a tendency to provide the information without proper advice. A consultative/collaborative approach is required to ensure information is provided at key stages.</li> </ul>			

## B. Ensuring openness and comprehensive stakeholder engagement

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>B1. Openness</b></p>	<p>The Council has demonstrated openness through the Mayor's Transparency Protocol and the Transparency Commissions initiated by the Mayor. It sought to reduce the use of individual mayoral decisions, and the consideration of reports as exempt items.</p> <p>The Transparency Report suggests introducing openness as part of the organisation's core values. This had not been reflected in the Core Values for 2016/17. However the recently announced TOWER values framework clearly identifies 'openness' as a value.</p> <p>Our review of Individual Mayoral Decisions taken through the Executive Mayoral Decisions procedure found them to be well founded, outlining the reasons for the decisions as well as consideration of alternative options. A summary report covering all Mayoral decisions is also presented to Cabinet.</p> <p>Decisions taken by officers under delegated authority are recorded on the Council website. Checked from April 2016 to July 2017. Only one decision was found, 25/5/2017 relating to late night levy, taken by the chief executive. Our review indicated that reasons for the decision were clearly stated, including the basis of the advice from the Legal Service as well as the financial implications for the Council. The Decision was also appropriately approved by the CFO and the MO.</p> <p>The decision making processes for grants has been improved to address inappropriate award of grants and to demonstrate openness and transparency. The Grants Determination Sub-Committee chaired by the Mayor and the Grants Scrutiny sub-Committees have been established to ensure all decisions made by officers under delegated powers are reported at the Committee meeting following the exercise of such discretion.</p> <p>Although the Council is working towards an open and transparent culture, behaviours and practices are not yet fully supporting the Council's whistleblowing policy, for example the whistleblowing review, conducted by Grant Thornton identified that whilst 30% of the survey respondents confirmed that the Council is actively encouraging raising and discussing concerns openly, the stakeholder meetings and survey comments indicated that many do not consider this is the case.</p>	<p><b>Arrangements meet or exceed adequate standards</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>The governance arrangements for the transition from mainstream grants to commissioning are unclear and work should be undertaken to determine the scrutiny and decision-making procedures.</li> </ul>			

## B. Ensuring openness and comprehensive stakeholder engagement (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>B2.</b></p> <p><b>Engaging comprehensively with institutional stakeholders</b></p>	<p>The Council has engaged with Tower Hamlets Partnership to complete the 2015 Community Plan. Following production of the Community Plan, maintaining stakeholder engagement in monitoring delivery against priorities and partner engagement has been limited. We are aware that work is underway to reinvigorate the Tower Hamlets Partnership.</p> <p>The Council maintain regular dialogue with partners through the Health and Wellbeing Board and work is underway to improve its effectiveness.</p> <p>The Council has also developed a Voluntary and Community Strategy moving away from Mainstream grants and into co-commissioning. Engagement with the Voluntary and Community sector has included workshops, online surveys and focus groups. Member sessions on co-production have also been held.</p> <p>Children and Families Plan (2016-19) for example was a joint document developed by the Children and Families Partnership, covering representatives from the NHS, Met Police, Housing Providers, Educations and Third Sectors.</p> <p>Other Partnerships include:</p> <ul style="list-style-type: none"> <li>- Tower Hamlets Together Board (provider side)</li> <li>- Mayor's Partnership Board (delegated powers to lead Member)</li> <li>- TH Joint Commissioning Partners (commissioners side)</li> <li>- System Partnership Board (integration agenda)</li> </ul> <p>These partnerships have not been reviewed in detail as part of this review.</p> <p>Collaboration, however, is driven by statutory requirements and regulatory necessity. Engagement with institutional stakeholders as part of informal alliances should be improved</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• Collaboration is currently driven by statutory requirements; the Council should develop and improve its engagement with institutional stakeholders through strategic alliances and partnerships based on trust and shared priorities.</li> <li>• Refresh and update the terms of reference for the Tower Hamlets Partnership.</li> </ul>			

## B. Ensuring openness and comprehensive stakeholder engagement (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>B3.</b></p> <p><b>Engaging stakeholders effectively, including individual citizens and service users</b></p>	<p>The Council demonstrates that it engages with stakeholders, but is not yet openly demonstrating changes resulting from these consultations.</p> <p>Strategic Plan explicitly links transparency to engaging more residents and community leaders in policy and budget changes, and also commits to a framework of borough wide equality forums, which contribute to the Council meeting its legal duty to promote equality. The 2015 Community Plan includes a cross-cutting priority of “empowering residents and building resilience”, with the aim of engaging them in actually designing and delivering public services. The Community Plan refers to engagement through Community Ward forums, lead by Community Champion Co-ordinators. The Council's web-site indicates that these have not met since 2015.</p> <p>The Council undertakes an annual residents survey, the last being in early 2016 and undertaken by independent market research company. It comprised face to face interviews with 1,100 residents. Website includes results for previous three years. The questions are tied to service priorities and form part of the Council's performance monitoring. The summary results identify trends from previous years .</p> <p>➤ <b>Consultations</b></p> <p>Consultations have had variable success and take-up. The Council is currently consulting on the revised 2017-2020 Community Engagement Framework, which emphasises co-production and greater involvement of residents in shaping local services. The consultation process, however, is still focused on communicating with, rather than engagement of residents.</p> <p>We have seen evidence of effective consultation and especially effective scrutiny of the adequacy and extent of consultations. Adult's and Children's Directorates for example have developed a number of engagement mechanisms to reach out to diverse groups within the community. There were also cases where scrutiny bodies have returned proposals and requested wider consultation. In the area of care provision, consultations with service users however, have been mostly focussed on level of satisfaction with service provision rather than desired outcomes. Discussions around their needs and solutions on how to lead more independent lives are less advanced.</p> <p>The Council website does not include the outcome of consultations. For several of the consultations on the website, the opening and closing date were not provided. The background provided was also insufficient to give context to respondents. There have been several unsuccessful consultations processes (Late Night Levy), which have led to legal implications.</p> <p>The new Communication Strategy 2017/18 is mostly based on communities as recipients of information. There has been more focus on use of digital channels and campaigns to support Mayoral and Corporate priorities.</p> <p>Progress has been reported on e-petitions, however this website is still under development.</p> <p>Joint Strategic Needs Assessment is dated 2015 and not up to date; it does not contain evidence of extensive service user consultation.</p>	<p><b>Arrangements meet or exceed adequate standards</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• The Council should move towards engaging rather than communicating with residents and service users.</li> <li>• The Council website should include the outcomes of consultations in addition to how consultation feeds into Council approach to policy and decision-making.</li> </ul>			

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>C1. Defining outcomes</b></p>	<p>The Council’s vision and priorities are set out in the Community Plan and the Strategic Plan. Year Two of the Strategic Plan 2017/18 outlines the new strategic priorities and includes key performance measures.</p> <p>Strategic performance monitoring is also aligned with the key outcomes, with performance against strategic priorities and outcomes monitored quarterly. Outcomes as defined in the Strategic Plan are measured quarterly and reported to Cabinet every 6 months. Year-on-year trend (2013/14, 2015/16 and 2016/17) is also monitored. The outcomes and priorities within these documents were developed and agreed with the previous administration and elected mayor, as a result they may not fully reflect the strategic direction of the current administration. Work is underway to refresh the Community Plan and Strategic Plan and this should ensure the current administration collectively agrees the vision and supporting outcomes for the Council.</p> <p>The Strategic Plan has been used as a basis to develop the Directorate Service Plans, Team Plans and personal development plans. However, we have identified that although all these stages are required, they are not in place across the Council. Team plans are not in place with Adult Social Care and personal development plans are not in place within the Team. This limits the Council’s ability to define the outcomes at service level. The outcomes within the Service and Team Plans are often high level and are often not SMART, (specific, measurable, achievable, realistic and timely) The service delivery plans are viewed as an annual requirement and not as an effective long term, business planning process. The service plans appear to be driven by the resources available rather than the outcomes required.</p> <p>The Council has consulted key stakeholders on the Community and Strategic Plan, including using the results of the Annual Residents Survey 2016 to reflect and focus their priorities. However, we have seen limited evidence of how their proposals and changes will impact on citizens and service users.</p> <p>A positive development is the commitment across senior stakeholders to develop outcome-based performance and evidence-based policymaking. There have been a number of pilots across service lines.</p> <p>We have not seen evidence of how decision-makers consider competing demands in practice and further evidence is required.</p>	<p style="text-align: center;"><b>Potential risks and weaknesses</b></p>	<p style="text-align: center;"></p>
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• The Council should have Team Plans in place to support all Directorate Service Plans.</li> <li>• The Council should consider how it defines outcomes and ensure they are SMART, specific, measurable, achievable, realistic and timely.</li> <li>• The Council should document the impact that the agreed outcomes, together with the actions it plans to deliver these outcomes, will have on citizens and service users. This should be included within the Directorate Plans.</li> </ul>			

## C. Defining outcomes in terms of sustainable economic, social, and environmental benefits (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>C2. Sustainable economic, social and environmental benefits</b></p>	<p>➤ <b>Sustainability of outcomes</b></p> <p>At a strategic level the Council agrees its budget annually, together the strategic priorities and outcomes which it aims to achieve. The Council is in the process of developing its approach to outcome based budgeting and planning.</p> <p>The Council has agreed a number of community outcomes as set out within the Strategic Plan and the Directorate Plans, but has not fully considered if they are sustainable in terms of the social, economic and environmental perspective. The Council has a range of strategies and plans to enable it to ensure its outcomes are sustainable, such as its capital strategy, revenue budget and its Equality Assessment/ Single Equality Framework. For example, the capital strategy sets out priorities and objectives for using capital resources in the context of rapid population growth but in an environment of reducing resources. However, its was last updated in February 2011 and may not reflect current socio-economic dynamics in the Borough.</p> <p>The Capital programme is also based on a corporate approach to the prioritisation of all capital resources, which is aligned to the Community and Strategic Plan priorities. However, a key issue is the way in which the capital programme is compiled. The funding source and Directorates plans have driven the approach, with Directorates producing the capital programme for Cabinet approval. Corporate Finance is responsible for refreshing the programme and for quarterly reporting to the Leadership Team and Council. Projects can be added in-year with delegated authority up to £250K. Projects between £250K and £1m need Cabinet approval while those over £1m require full Council approval. Financial Planning checks to ensure that projects can be delivered in terms of funding. At the year end the capital funding is allocated so there is assurance that capital expenditure is recorded accurately in the accounts. However there are a number of boards that deal with different aspects of the programme and approvals can be via these different Boards resulting in a lack of strategic development and oversight of the programme.</p> <p>Some of the priorities in the Borough Equality Assessment/ Single Equality Framework Action Plan for 2016/17 link to the Mayoral priorities and the Strategic Plan.</p> <p>All Council reports include a section on 'Sustainable Action for Greener Environment' (SAGE)</p> <p>➤ <b>Social Value</b></p> <p>The Overview and Scrutiny Commission held a challenge session in March 2017, to review the existing commissioning and procurement approach to social value. The commission raised a number of recommendations and identified this as an area for improvement. The Council is not yet monitoring its performance with regard to social value, alongside the monitoring of other KPIs.</p> <p>Service Plans do not explicitly refer to Social value.</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• Capital strategy requires updating to reflect changing socio-economic conditions in the Borough.</li> <li>• Consider amending existing processes for approval of capital expenditure. Introduce a central gateway process to ensure a consistent approach and to enable resource to be consistently aligned to the Council's strategic priorities.</li> <li>• Review and implement the recommendations raised by Overview and Scrutiny Committee with regard to Social Value within the commissioning and procurement process.</li> </ul>			

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>D1.</b></p> <p><b>Determining interventions</b></p> <p><b>(Operational)</b></p>	<p>Most interventions during 2016/17 were driven by the need to comply with recommendations by Commissioners and Best Value directions. As at February 2017 all 205 actions in the Best Value Action Plan have been delivered with further implementation activity found in Tower Hamlets Best Value Improvement Plan 2017-18. These interventions were reactive in nature and required to bring governance arrangements up to standard. This has at times led to a proliferation of governance structures such as Cabinet and Advisory Boards. We have noticed some duplication with regard to the remit of some Boards and an unnecessary complication of reporting arrangements. However, the Council has also shown ambition in ensuring achievement of outcomes at the strategic level.</p> <p>The actions undertaken by services lack sufficient detail and focus on the outcomes, largely due to the outcomes being unclearly defined in the first place. This was identified within the Ofsted report and the indications are that Adult Social Care also lack clear KPIs to ensure appropriate interventions are undertaken. This is further compounded by the lack of team plans in some areas.</p> <p>For example, initial analysis within Adult Social Care indicate that funds focused on preventions are not delivering the required outcomes.</p> <p>For 2017/18 the budget has been aligned with the delivery of the corporate priorities and the supporting objectives. The Council's new Outcomes Based Budgeting approach is designed to look at different ways of delivering the required outcomes for less money. It focuses on service delivery rather than simple cost reductions through "salami slicing". However, the new process has not been applied consistently in 2016/17 and there are still large gaps in benchmarking data.</p>	<p><b>High Risk</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• There needs to be greater synergy between the Best Value Improvement Plan Actions and other Action Plans such as the Governance Review Working Group Action Plan and the Constitution Action Plan to avoid duplication.</li> <li>• The 2016/17 Plan priorities (205) were largely met, however there is further work needed to confirm whether these have been embedded.</li> <li>• The Council has a range of strategies to assist it in delivering the necessary interventions, such as the MTFS, asset strategy and workforce strategy. The Council needs to ensure that the outcomes drive the interventions rather than the resources driving the outcomes.</li> </ul>			

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>D2.</b></p> <p><b>Planning interventions</b></p> <p><b>(Financial)</b></p>	<p>LBTH has prepared a medium term financial strategy with separate supporting appendices. The overall allocation of resources to meet priorities is reflected in the annual budget.</p> <p>In previous years resources have not been aligned to corporate priorities or clearly aligned with strategic objectives. There has been little pressure to reduce expenditure and where overspending has occurred it has been masked by the use of reserves. This has led to the development of a culture where financial management has not been subject to the same degree of rigor that we have found in other authorities.</p> <p>There is a need for greater synergy between the MTFS and supporting strategies particularly with regard to the integration with the workforce strategy and performance measures. Budgets, outcomes, activities and performance need to be aligned more closely with corporate objectives, although we noted improvements with the use of OBB. Corporate messages from CLT need to be translated throughout the whole of the organisation.</p> <p>For 2017/18 the picture has changed significantly and the Council has identified the need to find savings of £58m over the life of the Medium Term Financial Strategy (MTFS). For the first time the Council has introduced the concept of Outcomes Based Budgeting (OBB) in order to find the savings required. However, this process has not been applied with the same degree of effectiveness across the Council with some areas adopting a more traditional “salami slicing” approach to budget cuts.</p> <p>We have seen evidence that the Corporate Leadership Team (CLT) and the appropriate committees and Council monitor performance/budgets and challenge reports on these items quarterly. Our evidence suggests that detailed performance reports are presented to Cabinet or full Council.</p> <p>Finance staff have been heavily involved in this process although there is a view among finance staff interviewees that their input is too late and that decisions are made as a result of the financial imperative and not on the basis of a sound business case. This is perhaps the first significant challenge to budgets in recent years and we are concerned that budget holders are not working sufficiently closely with their Business Partners. Our concern here is that the responsibility for thorough analysis should be accepted by the operational areas; the areas need to demonstrate ownership of their budgets. Finance have the role of challenge, and of providing advice to Senior Management/Members for decision making purposes. However, Finance are not well positioned to assert their influence and persuade areas to own their budgets.</p>	<p><b>High Risk</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• There is a need for greater synergy between the MTFS and supporting strategies particularly with regard to the integration with the workforce strategy and performance.</li> <li>• Budget managers need to accept ownership of and accountability for budgets. Sanctions for non-compliance should be introduced. There is a complacent attitude by managers with respect to finding budget cuts which needs to be addressed. The use of reserves to hide overspends should be stopped. Finance professionals should provide a more robust challenge to budget managers.</li> </ul>			

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>D3.</b></p> <p><b>Optimising achievement of intended outcomes</b></p> <p><b>(Operational)</b></p>	<p>In order to improve the standard of service within Adults, the Council has set up the Adult's Improvement Board.</p> <p>More broadly, within Adults' there have been wider interventions in terms of facilitating a move away from paternalistic service provision towards demand management and a community asset-based approach.</p> <p>Following the Ofsted inspection report, the Council also established the Children's Services Improvement Board. The Board – which includes external advisors, DfE Intervention advisor, Chief Officer of CCG, the Mayor and the Chief Executive - receive regular reports from the operational improvement group on progress against improving social work practice and outcomes for children. Its role was set to challenge the existing strategic governance, accountability framework, (including the Local Safeguarding Children Board, Health and Wellbeing Board, Children and Families Partnership, and relevant Overview and Scrutiny Committee(s)), and assess how they are contributing to overall improvement in outcomes for children.</p> <p>Although it is too early to tell if adequate scrutiny and challenge is being provided, there needs to be a lessons learnt exercise to determine why the previously existing Improvement and Inspection Board, chaired by an external consultant, failed to have an impact. The Ofsted report also mentions that senior leadership were not necessarily clear on whether certain interventions in children's lives have been effective.</p> <p>As discussed in C, failure to have outlined clear outcomes limits the Councils ability to identify, plan and deliver the necessary interventions.</p>	<p><b>High Risk</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• See previous recommendations relating to Directorate Service Plans and Team Plans.</li> <li>• The Council has accepted the recommendations made by Ofsted and an Improvement Board has been established and should continue to implement these recommendations.</li> </ul>			

## D. Determining the interventions necessary to optimise the achievement of the intended outcomes (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>D3. (cont'd)</b></p> <p><b>Optimising achievement of intended outcomes</b></p> <p><b>(Financial and Resources management)</b></p>	<p>For 2017/18 a different approach has been adopted in that the Council has introduced a system of OBB linking budgets to service outcomes rather than setting an incremental target, although change is not yet fully embedded across the Council.</p> <p>This is being hindered by all the issues around the restructuring of finance and by cumbersome systems.</p> <ul style="list-style-type: none"> <li>• There is a feeling that budgets are still driven by the centre</li> <li>• There is still a push to cap budgets rather than look at need</li> <li>• A lack of profiling means that a disproportionate amount of capital expenditure occurs in month 12 with significant slippage in future years</li> <li>• There is insufficient time and skills to look in detail at business cases</li> <li>• Initial profiling is very inaccurate and it is all done within the directorates. Corporate finance take the figures as given without any real challenge.</li> </ul> <p>With regard to capital it is the responsibility of project managers to re-profile budgets but they do not do this rigorously. Directorates have cash to spend but do not spend it in line with the budget due to the lack of profiling i.e. all expenditure on a project is allocated to year 1 even though a project is spread over more than one year.</p> <p>To some extent the degree of success has depended on the skills and experience of the Business Partners in each business area. The Business partner model is not working here and there is no challenge. As a result, all expenditure tends to be dropped into year one. Although Financial Planning tries to adopt a challenging role and the section has issued instructions about the need to re-profile over more than one year. However, there is a lack of buy-in amongst Capital Programme Heads in the directorates and there is a need to change the culture here. In effect the Asset Management Working Group needs to exert more control. Project Managers sit on this group but they do not challenge each other. There needs to be much more of a corporate approach rather than each directorate operating in silos as they do currently.</p> <p>The revised Procurement Strategy for 2016 – 2019 reflects the Council’s current approach and considers how it will move towards outcome based commissioning. This is a positive approach and reflects how the Council is beginning to move towards a more outcome focused approach.</p>	<p style="text-align: center;"><b>Potential risks and weaknesses</b></p>	<p style="text-align: center;"></p>
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• We recommend the need for strong, visible strategic leadership from the centre with greater corporate standards setting. There is also a need for a much stronger leadership role for finance staff in operational directorates. This will lead to improved visibility for the finance function. We also recommend that this should be supported by a clear finance function service plan including agreed performance targets. The fact that the finance function is currently perceived as lacking in drive/energy, that it is overly bureaucratic and not structured to drive transformational change needs to be addressed.</li> <li>• The Council should continue to implement the recommendations set out with the report - Review of financial management using the CIPFA Financial Management Model.</li> </ul>			

## E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>E1. Developing the entity’s capacity</b></p> <p><b>(Financial management)</b></p>	<p>The Council lacks capacity and capabilities within its support service, finance and performance, to both monitor performance effectively, act on recommendations, and provide resources. A restructuring process is underway within the Resources Directorate and should address the current staff capability and capacity issues. Prior to this a number of interim staff have been employed or seconded to the Council.</p> <p>We also note that senior operational management capacity is lacking to implement and embed the new policies and procedures adopted. Some key posts were occupied by interim staff, often responsible for areas to do with transformation and ensuring sustainability of outcomes. This lack of continuity is detrimental to ensuring sustainable outcomes. Although the Council has adopted a Workforce Strategy 2016-2021, this does not provide a comprehensive continuity and workforce planning. The timeframes adopted seem to lack a sense of urgency – for example review of induction for new starters, senior manager salaries and job evaluation schemes are scheduled for 2018/19 while creating a workforce skills matrix to identify skills gaps is scheduled to happen in 2020/21. The design of knowledge transfer and succession planning is also scheduled for 2018/19.</p> <p>The newly appointed Director of HR has also introduced her own vision based on several pillars including Conduct, Performance, Wellbeing and Engagement, Change, Skills, Employer of Choice, and Equality. These need to be embedded without further delay due to the existence of several contradicting HR Guidance documents.</p> <p>A quarterly Corporate Budget Monitoring Report prepared by the Chief Accountant is presented to the CMT and to the Cabinet by the Corporate Director for Resources. The Lead Member for Resources takes a personal interest in this report. These reports provide information which is beneficial to the Council. However, this is undermined by the timeliness of these reports. The reports are issued up to three months after the period end, reports appear too late for senior officers or members to take remedial action or to reallocate resources. The report covers:</p> <ul style="list-style-type: none"> <li>• General Fund Revenue and HRA</li> <li>• General Fund and HRA Capital Programme</li> <li>• Key balance sheet information.</li> </ul> <p>LBTH has a Corporate Research Unit which is responsible for the Annual Residents Survey, the Census data, population, socio-economic research, Joint Strategic Needs Assessment. It is however not clear how the research function supports Directorates and Service Plans in the achievement of annual Strategic Plan Priorities and Community Plan Priorities since most of the outputs we have seen date back to 2013/14. The JSNA has not been updated since 2015.</p> <p>Use of benchmarking across the organisation to improve decision-making has been limited. One of the major barriers to the implementation of OBB in 2017/18 have been gaps in benchmarking data.</p>	<p><b>High Risk</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• The Council should improve the capacity and capabilities within its support service, finance and performance.</li> <li>• The Council should consider how it can mitigate the impact of interim senior management posts.</li> <li>• Workforce Strategy should be updated with more realistic milestones and measurable performance indicators to monitor progress.</li> <li>• Extend the use of benchmarking of performance and financial information by Officers across the Council.</li> </ul>			

## E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it (cont’d)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>E2. Developing the capability of the entity’s leadership and other individuals</b></p>	<p>The Council is going through a period of significant change with the majority of Corporate Directors and Senior Management being relatively new to their post. These changes are on the back of governance failings and as a result structural and leadership changes being made.</p> <p>➤ <b>Governance Structure</b></p> <p>As discussed in D1, the Council has introduced a range of committees and working groups to address identified weakness. These are illustrated in appendix B. However, this structure increases the risk of duplication and has also created an inflexible structure where delegated decision making is difficult. Senior operational management are sometimes frustrated by the lack of discretion exercised – there is a tendency towards micromanagement rather than strategic management. At the senior operational manager level, it was felt that the lack of a sense of direction and shared purpose was overcompensated through the use of unnecessary checking mechanisms – for example, there was a lack of trust for middle management to handle Member enquiries, complaints or members of the public, requiring authorisation from the Divisional Director. This was deemed time-consuming and distracting from setting a longer-term, transformative agenda.</p> <p>The Ofsted report also referred to the lack of effectiveness of senior managers in challenging the entrenched culture of non-compliance. This is being addressed through the Children’s Improvement Board and a number of actions in the area of Organisational Culture as part of the Best Value Improvement Plan.</p> <p>We heard from some interviewees that CLT members did not always act as critical friends to each other. The explanation offered was partially cultural and partially that some CLT members were new into post. Therefore, usual debates and ‘soft’ challenge through discussion of issues/reports being considered by CLT did not always get cross departmental input at the right time for decision making.</p> <p>A ‘TOWER’ Manager development programme is underway to determine the main barriers (both in terms of procedures and behaviours) middle management face to improving performance. The Learning and Development Policy, however, is out-of-date; it was last updated in May 2013. There is also a clearly set process for performance appraisal. Performance and development reviews occur annually; there is also a mid-year review and end-of-year review. The Guide to the Corporate Performance, Development and Review Scheme was revised in April 2017.</p> <p>Completion of a Declaration of Interest is included as a requirement in the PDP (Personal Development Plan). The majority of employees use the HR Self-service platform to complete their annual performance appraisal. Not all PDRs are completed annually, however.</p> <p>Establishment control is also an issue as outlined in the latest Internal Audit Report.</p> <p>➤ <b>Political Leader - Members</b></p> <p>As per the Best Value Improvement Plan, LBTH is in the process of developing a Member-Member and a Member-Officer Protocol. Support to Members to date has not been up-to date. The Member Intranet contains induction material which have not been updated since 2014. The Member training slides also contain outdated information on the Constitution and the Scheme of Delegation. There is no information on Member conduct. The Members’ Intranet also references LGA’s Councillors’ Guide which has not been updated since 2013.</p>	<p style="text-align: center;"><b>High Risk</b></p>	<p style="text-align: center;"></p>

## E. Developing the entity's capacity, including the capability of its leadership and the individuals within it (cont'd)

Sub-principle	Summary findings
<b>Observations</b>	<ul style="list-style-type: none"><li>• Review existing governance structures to remove duplication.</li><li>• CLT to be able to hold each other to account as supportive critical friends.</li><li>• Update Member induction and development materials so that they have relevant information and tools to support them in their various roles.</li></ul>

## F. Managing risks and performance through robust internal control and strong public financial management

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>F1. Managing Risk</b></p>	<p>➤ <b>Risk management: Business as Usual</b>                      CIPFA Benchmarking results for the Council show that risk management is 'working' but not yet embedded at the leadership and people level as well as in partnerships. Risk Champions fulfil their roles with varying degrees of success but do not have a prominent profile in the organisation. The Council has a Risk Management Policy Statement and a Risk Register. However, the organisation has been risk averse in the past, and the current process remain 'tick box' in nature and not dynamic.</p> <p>There is a poor record of compliance with embedding risk management within operational practice; compliance requires improvement. The use of the JCAD system is not as robust, with Internal Audit continuously reporting lack of regular review, sharing and updating of risks and control measures by risk and control owners, indicating the need for a behavioural change. As per the Head of Internal Audit 2016/17 Report, there are currently 367 active risks on the Council's Risk Management Information Systems (JCAD), of which 105 are overdue for review. There are also 332 active control measures on JCAD of which 141 are also overdue for review.</p> <p>In their 2016/17 Report Head of Audit reported that for 2016/17 as a whole, 69% of priority 1 recommendations had been implemented against a target of 100%, and 53% of priority 2 recommendations had been implemented against a target of 95%. This is a relatively low compliance. Our stakeholder interviews confirmed that most directorates do not have a mechanism of tracking and auctioning audit recommendations.</p> <p>➤ <b>Risk Management Training</b>                      Risk Management and Anti fraud awareness session is also included as standard training for Members within the Member Development Programme.</p> <p>In order to raise awareness of risk, the Head of Audit and Risk has initiated a series of risk talks. Risk talks are regular, usually monthly, lunch and learn sessions, aimed at improving practical awareness of risk management through the use of case studies, research, sharing best practice and updates all highlighting the importance and benefits of managing risk. The talks are advertised on the THnet as well as targeted invitations being sent to officers. There is usually a mixed audience of senior managers, managers and staff. If these talks were made mandatory attendance and awareness could increase.</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• Improve compliance with RM system.</li> <li>• Ensure that 'risk talks' are mandatory for officers working in, and or, responsible for areas of high risk.</li> </ul>			

## F. Managing risks and performance through robust internal control and strong public financial management (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>F2. Managing Performance</b></p>	<p>Performance management is seen as an area for improvement due to the lack of high quality performance data and outdated systems, on the one hand, but also due to the lack of adequate budget and performance reporting culture. The Council has taken significant steps in addressing the former through the use of a new performance management system – Covalent – which is aimed at aligning spend and performance monitoring.</p> <p>➤ <b>Managing Financial Performance</b>                      For example, there is a lack of accurate profiling of capital expenditure with the result that budgets are always showing as underspent. The Capital programme for the year was set at £170.4m of which only £25.45m or 15% had been spent as at the end of period 6. This highlights a major problem with the way in which the Capital programme is set.</p> <p>Particular areas of concern that we noted cover the following:</p> <ul style="list-style-type: none"> <li>• Monthly forecasting returns are not taken seriously by budget managers. It is often left to finance to do the returns</li> <li>• There is an attitude of complacency brought about by the easy availability of money in the past. The new budget cuts are starting to have an impact but it is early days so far. This has led to Business Cases not being very robust around benefits and savings</li> <li>• If managers fail to comply with financial requirements there is no sanction against them by senior managers. We found one exception but this seems to be a general problem</li> <li>• There is an attitude that “if it has a £ sign then it is finance’s responsibility”</li> <li>• There is a feeling that there is a lack of direction and leadership on financial issues both from the service directors and from the corporate centre</li> <li>• There is a lack of “buy-in” on financial management from budget holders</li> <li>• The overall view is that there is a lack of accountability for financial matters in general and budgetary control in particular</li> </ul> <p>➤ <b>Managing Operational Performance and Service Improvement. Scrutiny of performance</b>                      Only limited steps have been taken to assess service quality and costs. Although Finance is a member of the CIPFA Benchmarking Club the reports that we have seen do not contain all the information required to carry out an assessment of the cost and effectiveness of the function. This suggest that, although the Council is paying for the service it is not making good use of the information potentially available.</p> <p>Alongside issues around data accuracy and recording in Adult’s and Children’s, monitoring performance against outcomes was seen as ineffective due to the focus on a narrow set of quantitative KPIs. The performance dataset needs to be broader to measure impact on service users. We have also identified a lack of integrated performance reporting, linking financial and operational performance. This has an impact on Members and management and relies on them having to make the link.</p> <p>Performance reporting is also not effectively used for service improvement. Members still require support with using performance reports to exercise effective scrutiny.                      Performance scrutiny is also not using all of its available instruments, as evidenced by few if any call-ins. However, this could be balanced with scrutiny Members being supported to carry out pre-decision scrutiny.</p>	<p style="text-align: center; color: white; font-weight: bold;">High Risk</p>	<p style="text-align: center; color: blue; font-size: 2em;">↑</p>

## F. Managing risks and performance through robust internal control and strong public financial management (cont'd)

Sub-principle	Summary findings	Rating
<b>Observations</b>	<ul style="list-style-type: none"> <li>Managers require a much clearer understanding of how to achieve Value for Money. Training is required to increase their understanding and achieve greater consistency. We recommend that managers should be more closely involved in the submission of benchmarking data. Finance input to business cases needs to be on a timely basis in order to be able to influence decision making.</li> <li>We recommend that a cohesive financial performance and competency framework should be established. This needs to address the current variable financial management and system skills of managers. Managers require training in their role in financial accountability as it is not currently well understood. Equally finance staff need to adopt a much more challenging approach in their work with budget managers.</li> <li>Introduce integrated reporting, finance and performance information.</li> </ul>	

## F. Managing risks and performance through robust internal control and strong public financial management (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>F3. Robust internal control</b></p>	<p>LBTH has Financial Regulations and Standing Orders that document and define controls and procedures. By encompassing areas such as LBTH's responsibilities for collaborative/partnership arrangements, Finance Regulations follow good practice. Overall the Financial Regulations appear to be comprehensive and in line with best practice arrangements.</p> <p>Evidence in support of a strong internal control environment is provided by the annual audit letter from External Audit for 2014/15 which was free of weaknesses in the operation of internal controls. We only had access to the 2014/15 letter at the time of review as the letter for 2015/16 and the audit opinion has been delayed due to the VFM qualification issues. However, we met with the external audit partner and he was able to provide an assurance that there was no material issue with the financial statements. He also referred to the general quality of working papers and of the ability of the Council's finance staff to deal with audit queries.</p> <p>The internal audit function is led by an experienced Head of Audit and Risk Management. He produces an annual plan that is designed to cover all the key financial systems each year. There is a comprehensive Internal Audit Plan in place for 2016/17 and this was provided for our review. The plan was reported to the Audit Committee by the Corporate Director of Resources on 22 March 2016. The plan is risk based and it starts by addressing the 11 corporate risks identified by the Council. The plan sits within an overall Internal Audit Strategy that was approved by the Audit Committee in 2010. In terms of resources the plan provides for just over 1500 audit days comprising 4 internal staff plus management supplemented by a team from Mazars which is procured under a framework agreement with the LB of Croydon.</p> <p>The Head of Audit and Risk Management provides an annual internal audit opinion in accordance with the Public Sector Internal Audit Standards. The opinion supports the annual governance statement, which forms part of the annual statement of accounts required under the Accounts and Audit Regulations 2003 (as amended). This report is submitted for approval to the Audit Committee and we reviewed the report for 2015/16 submitted on 28 June 2016.</p> <p>The report concludes that the Council has an adequate system of internal control which was in operation throughout 2015/16. The report is comprehensive and covers:</p> <ul style="list-style-type: none"> <li>• Opinion and basis of opinion</li> <li>• Summary of audit work undertaken in 2015/16</li> <li>• Audit Charter and Internal Audit Strategy, setting out the purpose, authority and responsibility of the Council's Internal Audit function, in accordance with the UK Public Sector Internal Audit Standards</li> <li>• Appendices covering Audit Resources, Summaries of reports not previously reported Summaries of all audit reports are submitted to the CMT and Audit Committee, Follow Up Audits, List of planned audits undertaken in 2015/16, Summary Head of Audit Opinion, Detailed Head of Audit Opinion, Benchmarking club/headline.</li> </ul>	<p><b>Arrangements meet or exceed adequate standards</b></p>	

## F. Managing risks and performance through robust internal control and strong public financial management (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>F4. Managing Data</b></p>	<p>The Council has a range of policies that set out its approach to managing data and data quality, including its Information Governance Framework.</p> <p>The Data protection policy requires that appropriate technical and organisational measures are in place with third parties to protect against the unauthorised or unlawful processing of the personal data and against the accidental loss or destruction. The Information handling Procedure also sets out the requirements of third parties.</p> <p>The Council has two main Information Sharing Protocols in place:</p> <ul style="list-style-type: none"> <li>• The Crime and Disorder Protocol.</li> <li>• The North East London Health and Social Care Information Sharing Protocol</li> </ul> <p>However, the Data Quality Policy states that it is updated annually, the latest version we received was dated 2014. We have no evidence of any review of data quality and understand that this would be the responsibility of individual directorates. The 2017/18 Internal Audit Plan does not contain review of data quality.</p> <p>The Ofsted review identified that leadership were reliant on inaccurate information.</p> <p>The Council has an Information Governance Group and an Information Governance Board. This group is chaired by the Head of Legal Services and includes representative from across the Directorates. It is an operational group and report to the Information Governance Board. The Board report to CLT and Cabinet on an annual basis.</p> <p>Mandatory training is required for Information Governance, the Council has difficulty in ensuring the training is completed and monitoring compliance. This is due to the inadequacy of the system currently in use. The Council will be rolling out training for all employees covering the requirements of the General Data Protection Regulation (GDPR).</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• The Data Quality Policy should be reviewed annually, last updated 2014.</li> <li>• The Council should ensure that it reviews and audits the quality and accuracy of data used in decision making and performance monitoring on a regular basis.</li> </ul>			

## F. Managing risks and performance through robust internal control and strong public financial management (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>F5. Strong public financial management</b></p>	<p>Our review of financial management identified the following areas which need to be addressed as a matter of priority:</p> <ul style="list-style-type: none"> <li>• Ownership and accountability for financial performance: absence of ownership and accountability for budgets – concealment of overspends through the use of reserves</li> <li>• Strategic structure: need for strong, visible strategic leadership – finance staff in operational directorates need more leadership and direction from both the corporate finance team and from service directors</li> <li>• FM Competency Framework and performance framework: no cohesive framework in place - variable financial management and system skills of managers – accountability not well understood – finance challenge requires greater depth</li> <li>• Business Partnering: lacks effectiveness; accountants not universally perceived as up to this role – commercial skills gap – soft skills require honing – need to build understanding of expectations of managers and demonstrate delivery of service – need for more individual agility to drive transformation</li> <li>• Value for Money approach: not well understood or consistently applied – there is a tendency to proceed with projects before finance staff have had a real input to the decision making process</li> <li>• Finance Function positioning and service planning: needs greater visibility – need for a clear finance function service plan including service agreed performance targets - perceived absence of energy/drive for efficiency – viewed as bureaucratic - divided and not structured to drive transformational change – not a lot of resilience.</li> <li>• Financial Management Information Systems: self-service systems do not work well for budget managers - data needs manual manipulation - managers require handholding by finance restricting latter's ability to add value – information not trusted – resource inefficient -need clarity on future user needs – significant investment required</li> <li>• Financial Transaction Systems: major problems with systems around coding errors, incorrect journals and maintenance of the workflow – requires manual intervention and leads to a waste of finance staff time</li> </ul>	<p style="text-align: center; background-color: red; color: white; font-weight: bold;">High Risk</p>	<p style="text-align: center; color: blue; font-size: 2em;">↑</p>
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• There is a need to address the current absence of understanding of detailed activity costs through training on financial systems especially the GL. We recommend that measures should be introduced to prevent the circumvention of the “compulsory” e-learning modules. We also recommend that job descriptions, currently regarded as out of date, should be redrafted. The weaknesses in the governance approach on capital projects should also be addressed in order to prevent slippage . With regard to the role of the business partners we recommend that their role should be made more effective by training in commercial awareness, through the honing of the "soft skills" needed to build understanding of expectations of managers and demonstrate delivery of service. Business partners should also be encouraged to help to drive transformation by sitting on DMTs.</li> <li>• We recommend that the current self-service budget reporting tools should be revised and improved. In particular the need for the manual manipulation of data should be greatly reduced so that finance professionals can concentrate on providing advice and input to the decision making process. We also recommend that there should be a strict application of corporate standards with an emphasis on end-user needs. We appreciate that this will require significant investment but we believe that the investment will be repaid in the short term through greater value for money.</li> <li>• We also found that the financial transactions systems are in need of urgent improvement. In particular we recommend that steps are taken to reduce the high level of coding errors in the GL, that the automated invoice matching process should be improved to reduce the level of duplicate payments and that the high level of inaccuracy in journal posting in the GL workflow system should be addressed. This latter problem makes the GL cumbersome to maintain due to the high level of manual intervention that is required</li> </ul>			

## G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>G1.</b> <b>Good practices in transparency</b></p>	<p>The Council is committed to openness and transparency as set out in its values.</p> <p>Information is available on the Council website and committee papers are published as required. The section on Decision-making also excludes information on Key Mayoral decisions. It may be of benefit to include extracts from the Constitution defining Key Decisions and their use.</p> <p>See section A for further information on openness and transparency.</p>	<p><b>Arrangements meet or exceed adequate standards</b></p>	

## G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>G2. Good practices in reporting</b></p>	<p>The financial accounts and statements for LBTH are produced in accordance with statutory deadlines but there have been delays in signing and publication due to the VFM qualifications which started in 2013/14 and which resulted in the appointment of Commissioners. As a consequence of this history the Annual Governance Statement for 2015/16 was only presented to the Audit Committee on 20 September 2016 so that it could be approved for signing by the Chief Executive Officer and the Mayor by the statutory deadline of 30 September 2016.</p> <p>Like many public sector annual reports and accounts, these documents are heavy to read for most individuals outside the officers of the organisation. LBTH's report explains the operational and financial performance using 'plain English', and as far as we can tell is transparent in its narrative and data presentation. Our contributors generally agree that the presentation of the summary accounts is intelligible and accessible to the non-expert user.</p> <p>The Council is provided with a consolidated view of the organisations finances and risks.</p> <p>We have reviewed the draft Annual Report and Accounts for 2015-16 and they conform to sector requirements, and include the AGS which is signed by the Chief Executive. The Annual Accounts were subject to a Value for Money qualification in 2013/14 and again in 2014/15. The external auditor's management letter is considered at appropriate levels within the Council and appropriate action has been taken to resolve the VFM issues working in conjunction with government appointed Commissioners. The external audit letter for 2014/15 raises no significant issues in relation to financial accounting and the external auditors confirmed subsequently that there have been no significant issues in relation to the accounts. We understand that the Council is on track for 2016/17.</p> <p>There is also an issue with regard to the timeliness of reporting. The budget monitoring report for period 6 was not seen by the Cabinet until the middle of December 2016. As a result the reports appear too late for senior officers or Members to take remedial action or to reallocate resources. The timeliness of reporting is of major concern to Members, including scrutiny and should be addressed urgently. Otherwise the report provides a useful report to the CMT and Members. More detailed, monthly monitoring reports are also provided to budget holders and Directorate Management Teams and, again, we will refer to these under the Processes section of our report. Performance reports throughout the year are also not reported on a timely basis, being reported at least three months after the period end.</p> <p>There was concern that reporting to Commissioners and in the business-as-usual process is a demanding process and takes up significant management time and resource.</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>The Council should improve the decision making section of the website. Currently Mayoral and Commissioner decision-making are not explained and are in a separate section of the Website (see link: <a href="http://democracy.towerhamlets.gov.uk/uuCoverPage.aspx?bcr=1">http://democracy.towerhamlets.gov.uk/uuCoverPage.aspx?bcr=1</a>). The section on 'How the Council makes decisions' contains outdated information.</li> <li>The timeliness of reporting should be improved. This can be achieved in conjunction with a range of other recommendations we have made in terms of the review process (See A3, p.16).</li> </ul>			

## G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability (cont'd)

Sub-principle	Summary findings	Rating	Direction of Travel
<p><b>G3. Assurance and effective accountability</b></p>	<p>The Audit Committee receives and monitors the implementation of internal and external audit recommendations. The Committee and Council also receive the external auditor's annual letter for consideration of any recommendations.</p> <p>The Council's Corporate Governance Framework is embodied in the document the "Guide to Our Core Values and Corporate Leadership and Management Framework." This sets out the Core Values of the Council and what it expects of its staff. A large part of the document is about management development and how staff will be trained, developed and appraised. In addition there is a comprehensive set of Financial Standards and Regulations running to over 100 pages covering Financial Regulations and Financial Procedures.</p> <p>In terms of structure there is a clearly defined committee structure with an Overview and Scrutiny Committee supported by a number of sub-committees, although we have raised concerns about the complexity of the structure. There is an Audit Committee which considers reports from both internal and external audit and also considers risks to the Council. The Council produces an Annual Governance Statement and we have seen the draft Annual Governance Statement 2015/16 drafted by the Corporate Director of Resources which went to the Audit Committee on 20 September 2016. This was an urgent item in order to meet the statutory deadline of 30 September for sign off by the CEO and the Mayor. The 2014/15 AGS raised thirteen significant governance issues. The current status of these issues is shown in the report. The Assurance Control Checklist is an appendix to the report and provides a wholly positive answer to the questions of governance. In our view it appears to comply with the Accounts and Audit Regulations and the example seen was positive in its conclusion.</p> <p>We see a potential risk that by placing undue emphasis on discussions with external stakeholders senior management is raising expectations before achieving necessary improvements to internal quality of data/information, processes and delivery mechanisms. This latter statement is highlighted by the Council's lack of published transparent plans for achieving Value for Money with targets and indicators, and reports of outcomes from those plans clearly demonstrating a holistic view to application of public funds. Until 2017/18 very little use had been made of benchmarking and comparative data. This is beginning to change but our sense from the interviews is that there is still some way to go.</p> <p>In addition, the Council had a Value for Money qualification on its accounts for 2013/14 leading to the appointment of external Commissioners, by the government. This led to further qualifications in subsequent years. Although steps have been taken to rectify these issues the accounts for 2015/16 had not been signed at the time of our review. The Annual Governance Statement in the Annual Report sets out the steps that the Council is taking to address these issues. The Annual Report also has a brief description about how the Council achieves Value for Money but it is very brief.</p> <p>A number of strategies are published which explain how relating activities can be directed to achieve Value for Money savings e.g. Procurement Strategy and Asset Management Plan. These documents are helpful to the readers but overall what is needed to demonstrate Value for Money is a corporate view linking all the plans/strategies together with specific objectives and finances i.e. Integrated Reporting, a holistic approach report that can be used to identify synergies from the relationships between different parts of the organisation and different activities.</p>	<p><b>Potential risks and weaknesses</b></p>	
<p><b>Observations</b></p>			
<ul style="list-style-type: none"> <li>• The Council should consider extending the scope for VfM reporting.</li> <li>• More timely reporting to Cabinet, Audit Committee, Overview and Scrutiny Committee and its sub committees.</li> </ul>			



# Significant Governance Issues (2015/16 AGS) and Improvement Issues 2017/18

# Significant Governance Issues (2015/16 AGS) and Improvement Issues 2017/18

The following reflects the position as at July 2017

Issue	Best Value Improvement Plan Progress	2017/18 Planned Improvements
<p><b>1. Payments to third sector organisations outside of the main grant process</b></p>	<p>All actions in the Grants Best Value Improvement Plan have been delivered.</p> <p>The Council produced the Voluntary and Community Sector Strategy and is now in year 2 out of 3. VCS has an action plan with 46 actions. A key part of this is the move from MSG to commissioning. This is monitored and reviewed on a quarterly basis, involving key stakeholders.</p> <p>Member sessions have been held on co-production.</p>	<p>During 2017-18 the priority is progressing the community grants team restructure and delivering the pilot co-commissioning of the Community Cohesion theme of the current Mainstream Grants programme.</p> <p>The new structure of the team will ensure transparency over arrangements and separation of duties. The Corporate Strategy team will pick up the strategic aspect, while the Third Sector team will be responsible solely for the evaluation, monitoring, and administration of grants. This ensures no conflict of interest as grant award will be with the Strategy team. There will be separation of:</p>
<p><b>2. A comprehensive review of the management arrangements for the control and monitoring of grants</b></p>	<p>Two sub committees were established to improve transparency and cross party working. Grants Determination is a Sub-Committee of Cabinet, chaired by the Mayor with Commissioner attending. It is involved in all aspects of grant award. The Grants Scrutiny Committee is chaired by the opposition (Conservatives) a sign of more mature decision-making among politicians.</p> <p>A new ICT system- GIFTS – was introduced to enable openness and transparency externally, and improved access to information for Members to ensure better scrutiny. Under the previous system, only recorded mainstream grants; the new system will cover all grants to ensure transparency.</p>	<ol style="list-style-type: none"> <li>1. Monitoring – process will better capture information on beneficiaries (ethnicity, residence status). There will be focused Monitoring Officers</li> <li>2. Payments – in the past, there payments were made without authorisation and premises used without permission. Better system of checks and balances to be implemented. External consultant will be reviewing the process.</li> <li>3. Assurance</li> </ol> <p>Theme 5 (Community Cohesion) has been out to tender and piloted using the new commissioning approach as opposed to grants. Feedback to approach has been positive. Key focus is on creating capacity among smaller organisations to effectively participate in the commissioning process; offering training and upskilling. Most of the contracts in the Pilot were won by smaller, local providers – shows there is no bias towards bigger organisations</p>

# Significant Governance Issues (2015/16 AGS) and Improvement Issues 2017/18

The following reflects the position as at July 2017

Issue	Best Value Improvement Plan Progress (Final Update report)	2017/18 Planned Improvements
<p><b>3. Publicity Expenditure Controls</b></p>	<p>Outstanding actions based on Commissioner recommendations have been resolved, including:</p> <ul style="list-style-type: none"> <li>- the Communications and Marketing Service restructure was completed in January 2017</li> <li>- the cost of publications such as Our East End has been determined and reliance on publications reduced</li> <li>- The future of Statutory Public Notices has been resolved following legal advice. In order to secure better value for money, the Council will buy the notices through a media buying company. A procurement process has been started.</li> </ul>	<p>The focus for 2017/18 will be to ensure effective delivery of communications campaigns and changing the media culture within the Council.</p> <p>LGA did an independent review of Communications Plan in 2015 It is acknowledged within and outside the organisation that the historic and on-going focus of communications has been on reacting to media issues and producing East End Life.</p> <p>A centralised the Communications Service so it is at the heart of the Council's strategic approach. The Council's reliance on East End Life in previous years has led to other areas of communications and marketing being underdeveloped. The Communications Service is moving away from reliance on publications and towards a campaign model to support Mayoral and Community Plan priorities.</p> <p>Development and agreement of a Communications Strategy for 2017-18 will further develop communication channels and targeting of information to internal and external audience.</p>
<p><b>4. Strengthen controls over disposal of assets that demonstrate best value is secured by the Council</b></p>	<p>A carefully managed programme of disposals was carried out in 2016/17. This was carefully scrutinised by Commissioners and resulted in the generation of significant capital receipts for the Council.</p> <p>The Council will continue to audit the tenancies and occupancy of its property portfolio especially in relation to organisations in receipt of mainstream grants.</p>	<p>A key focus for 2017/18 will be to develop community hubs as part of the Community Building Policy.</p> <p>Stakeholder interviews indicated that there needs to be better coordination between the Asset Strategy 2015-2020, the Capital Strategy and the MTFS. Property decisions are currently driven by a short-term focus on savings within services rather than strategic vision of how assets can support improvements in service provision.</p> <p>A key challenge for the Council in the short-term will be the delivery of a new Civic Centre.</p>

# Significant Governance Issues (2015/16 AGS) and Improvement Issues 2017/18

The following reflects the position as at July 2017

Issue	Best Value Improvement Plan Progress (Final Update report)	2017/18 Planned Improvements
<p><b>5. Elections</b></p>	<p>Since 2015 Tower Hamlets has successfully held four elections which include: an EU referendum, a GLA election for the Assembly and Mayor of London, the Whitechapel by-election and a General election.</p> <p>All statutory deadlines were met and no substantive incidents or complaints were received. There have not been any petitions.</p>	<p>The Council has discontinued its participation in the Pilot ID Project, which needs to be reflected in its Best Value Improvement Plan for 2017/18.</p> <p>This should be revisited and further actions taken to ensure good practices in registration of the population are implemented.</p>
<p><b>6. Organisational Culture</b></p>	<p>In September 2016 the Council launched an independent Clear-Up Project to deal with any remaining allegations of impropriety and serious concern. Recommendations have started to be implemented and will be reported to Cabinet in June 2017. Following the Mayor's commitment to openness and transparency, the Council also commissioned an independent external review of the whistleblowing arrangements introduced earlier in 2016.</p> <p>Review of the Constitution and Governance arrangements is also being led by the cross-party Governance Review Working Group and the Constitutional Working Group. The GRWP has considered the findings resulting in more dialogue between Councillors and a better understanding of the key issues.</p>	<p>The focus in 2017/18 will be working with staff to refresh and embed the new staff values and rebuilding trust.</p> <p>Key areas of focus for the next year will be:</p> <ul style="list-style-type: none"> <li>• Refresh of constitution</li> <li>• Implementation of Clear Up Project recommendations</li> <li>• Implementation of independent Whistleblowing Policy review recommendations</li> <li>• Implementation of Children's Services Improvement Plan following Ofsted's inspection</li> <li>• Analysis of Annual Residents Survey</li> <li>• Development of Tower Hamlets Partnership and a revised Community Plan</li> <li>• Updated Planning code of conduct, Member/Officer protocol and new Member/Member protocol</li> </ul>

# Appendix A – Roles and responsibilities within the governance structure



# Governance Framework

## Member Committees

### Council

The Council is composed of a Mayor and 45 Councillors. They are responsible for those decisions and functions that cannot be made by the Mayor, such as approval of annual budget and appointment of the Head of paid Services.

### Elected Mayor

The Council has adopted an elected Mayoral form of Executive. The Executive is democratically accountable to residents of the borough.

### Cabinet

The Mayor appoints Executive Members and together form the Cabinet. The Mayor and Cabinet are the main decision making body within the Council, other than where a decision should be taken by the full Council or has been delegated to a sub-committee or to a Senior Officer as part of their executive functions.

### Infrastructure Delivery Board

This board includes Members and officers and is a decision making board. Decisions are made in relation to the CIL and Section 106 monies.

### Grants Determination Sub-Committee

This sub-committee was established as part of the actions relating to the Best Value Improvement Plan. Its Membership includes the Mayor plus three other Executive Members. Its role is to determine the grants to be awarded by the Council.

### Overview and Scrutiny

A range of scrutiny committees have been established to fulfil the scrutiny function. The Overview and Scrutiny Committee responsibilities include review and scrutinise the

decisions of the Executive.. This Committee support the work of the Executive and the Council as a whole. It also has a strategic and co-ordinating role over the scrutiny function and also monitors the decisions of the Mayor and Executive.

### Grants Scrutiny Sub-Committee

This committee is a sub-committee of the Overview and Scrutiny Committee

The Overview & Scrutiny Grants Sub-Committee will discharge the Council's statutory functions to undertake overview and scrutiny, insofar as these pertain to grants matters.

### Mayor's Advisory Board

This is not a decision making group and operates as an advisory meeting and includes the Mayor and Cabinet. This meeting is attended by Members of CLT. It is not a public meeting.

### Best Value Improvement Board

The BVIB was established in April 2017 and monitors performance against the Best Value Improvement Plan. It includes the Mayor, Cabinet and the Chief Executive and an independent Member the Mayor of Lewisham.

# Governance Framework (cont'd)

## Corporate Leadership Team (CLT)

CLT consists of the Chief Executive and the five Corporate Directors. They are authorised to make decisions relating to any executive function carried out by services under their management other than taking key decisions, which would be taken by the Executive or Full Council, or where the decisions has been delegated to a sub-committee. They meet weekly and every other week meet as the Transformation Board to oversee the Council's transformation programme.

## Directorate Leadership Teams (DLT)

The DLTs are in place for each Directorate and are chaired by the Corporate Director. Membership also includes business support partners from finance and performance. All decisions would be reviewed by DLT prior to CLT and Cabinet.

## Performance Review Board

This is an officer board, chaired by the Chief Executive. Its aim is to review performance against the Council's strategic objectives prior to review by CLT.

## Information Governance Group and Information Governance Board

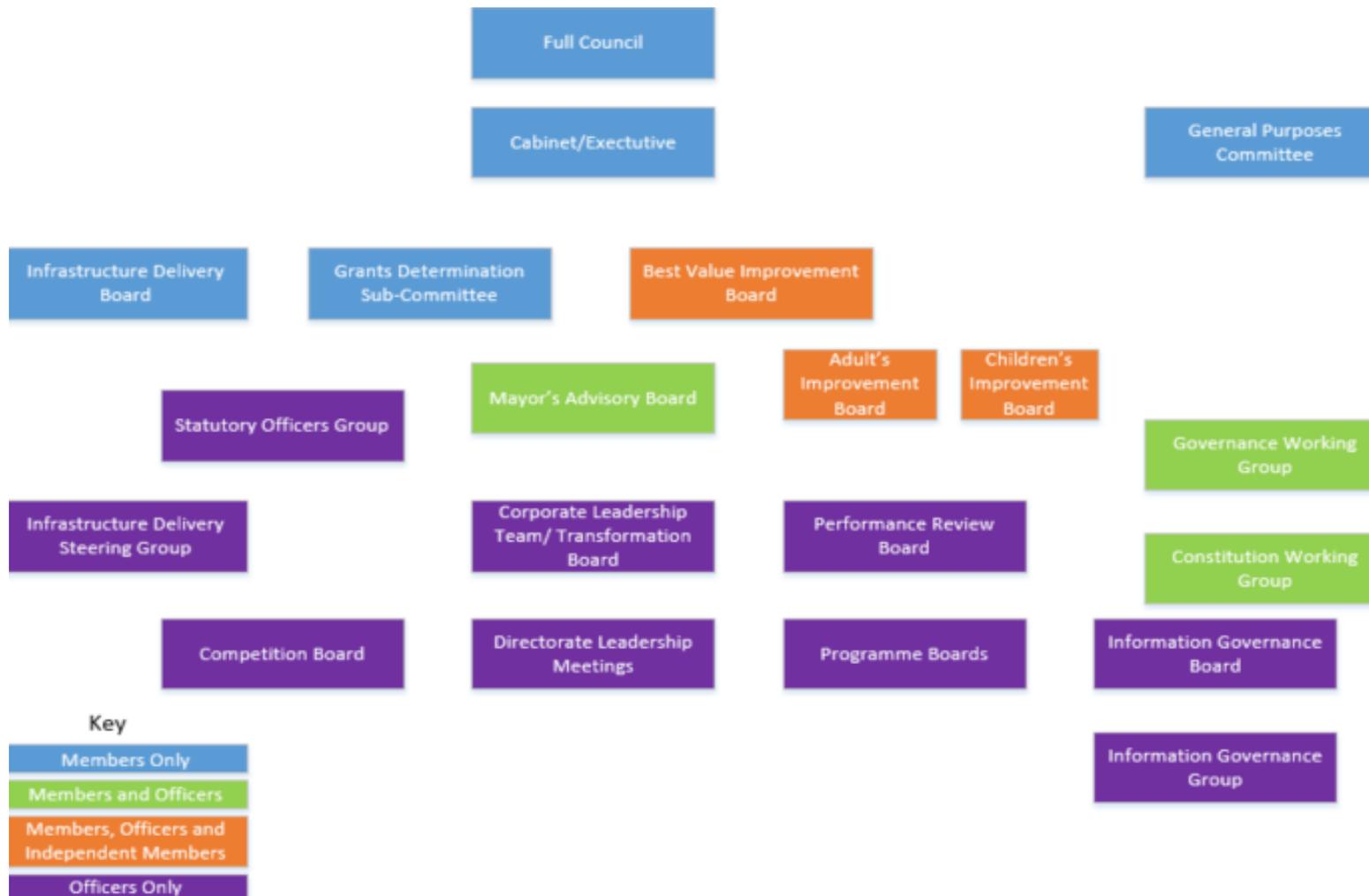
The Council has an Information Governance Group and an Information Governance Board. The Information Governance Group is an officer group chaired by the Head of Legal Services and includes representative from across the Directorates. It is an operational group and reports to the Information Governance Board. The Board report to CLT and Cabinet on an annual basis.

## Competition Board

This is an officer group.

# Governance Framework (cont'd)

The following summary provides a high level overview and does not provide details of all the groups and committees which operate across the Council. The links between these governance committees/groups and boards are complex and varied.





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