

# **Annual Governance Statement**

## **2022/2023**

## Our Annual Governance Statement

We are required to report publicly about how the Council has complied with its governance arrangements, including how they have operated over the course of the last year and if any areas require improvement. This Annual Governance Statement reports the outcome of our assessment.

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

The Council has adopted a Code of Corporate Governance that is based on the recommended guidance: *Delivering Good Governance in Local Government*. In adopting this Code, we recognise the importance of having good governance, which includes effective leadership and management, policies and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community. We also acknowledge our responsibility for ensuring that the Council conducts its business in accordance with the law and proper standards and that public money is safeguarded.

The Council is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We are open and transparent about our continuous improvement journey and have been recognised for achievements so far. The London Borough of Tower Hamlets (the “Council”) is committed to being efficient and effective in delivering improved outcomes for residents of Tower Hamlets. We pride ourselves in doing this in an open and transparent manner, especially when it relates to our continuous improvement journey.

We recognise that good governance requires a culture of continuous improvement and challenge, and we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.

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

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Steve Halsey, Chief Executive

Date:

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Lutfur Rahman, Executive Mayor

Date:

## Introduction

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

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

The Code sets out the commitment of the Council to work to uphold the highest possible standards of good governance. This is essential for ensuring we conduct our business in accordance with the law and proper standards and that public money is properly accounted for. It also includes effective leadership and management, policies, and procedures, to ensure we have a well-run Council that delivers high quality, value for money services to the local community.

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

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

When evaluating our performance, we have taken into consideration reviews and inspections of the Council by others, as well as the work of internal and external audit. We have also reviewed our progress against improvement actions that were identified as part of the 2021/22 Annual Governance Statement.

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

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

Where areas for improvement are required an action plan must be developed. We have used these returns to further enhance our review of the Council's governance framework.

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

## Our Assessment

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

<b>Principal</b>	<b>Review of Governance Arrangements</b>
<p>A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p>	<p>The Council’s Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent, and accountable to local people, including the Financial Regulations. The Constitution is published on the Council’s website. The constitution was last updated and agreed at full Council in May 2023. In addition, there are a range of policies and procedures to direct and guide Members and staff, as well as codes of conduct that set out standards of behaviour expected from Members and staff. We have noted that some of the Council’s policies and procedures are overdue for a review, but given the global pandemic, all overdue policies and procedures will be reviewed as soon as practicable.</p> <p>The Council has appointed the required statutory officers which includes the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Legal Services) and the Chief Finance Officer, also referred to as the Section 151 Officer (Corporate Director, Resources). These three officers meet regularly to discuss governance issues.</p> <p>The Council operates a Standards Advisory Committee to oversee and promote high standards of conduct by the Mayor, Councillors and Co-opted Members of the Council, including in relation to the Code of Conduct and the Register of Interests. Half the Committee membership allocation is for independent Co-opted Members and there are also two separately appointed statutory Independent Persons who advise in relation to alleged breaches of the Code of Conduct. The Committee takes an active role in this work receiving regular reports, monitoring complaints</p>

against Members, the Register of Interest/Gifts and Hospitality, Member Development, and reports from the work of the Committee on Standards in Public Life amongst other matters. The Committee provides full Council with an annual report on its activities which highlights areas of strength and concern; a report was last taken to full Council in September 2023, with the next expected at the meeting scheduled in July 2024.

All members positively acknowledge the Code when they join the Council. A consultation was launched in June 2020 to review the model code of conduct for Members and the new code was approved by Council in November 2021 and came into force following the 5 May 2022 local elections. A reminder of the new Member Code of Conduct was presented, as part of the Council's constitution, to full Council at its meeting held on 17 May 2023.

The Council has adopted a whistleblowing policy to guide and support staff about how to raise any concerns. It is readily available on the Intranet. The Monitoring Officer maintains a central record of all whistleblowing concerns and how they have been resolved. In April 2021 the Monitoring Officer reported a summary of concerns raised and their outcomes to the Audit Committee. A similar report will be presented as part of the 2023/24 Audit Committee workplan.

Committee reports and key decisions are published online to ensure transparency and Executive decisions made by the Mayor and Cabinet are subject to the 'Call-In' process by backbench Councillors who can raise any concerns they may have.

The Council maintains a Register of Interests (for officers and Members) which includes a requirement to declare interests at meetings ensuring that potential issues are recorded, and Members do not take part in meetings in an inappropriate way. This includes the need to leave the room when any items for which they have a Pecuniary Interest are discussed. A revised guide to declaring interests at meetings has been attached to all meeting agendas since May 2020. During the period when the Council operated using an on-line meeting format (via MS

	<p>Teams), attendants of the meeting that declare an interest were required to leave the virtual meeting room.</p> <p>The Council also maintains a Gifts and Hospitalities register to ensure that Members and officers declare any gifts and hospitality in an open and transparent manner. The Gifts and Hospitality Policy was reviewed during 2021/22 and relaunched in May 2022. Individual teams have been instructed to adopt the revised policy, hold details of any gifts and hospitality offered, accepted, and declined, whilst reporting up into a Directorate-held registers for completeness.</p> <p>The Council has sought feedback from the public through its complaints and comments procedures and has responded to the outcomes as appropriate.</p> <p>The Council's Audit Committee has met throughout the year and has considered reports from internal and external audit as well as other updates, reports, and advice from the Chief Financial Officer and the Monitoring Officer.</p> <p>The Council routinely provides training for its Members on numerous topics including financial management, risk, governance, and ethics. The 5 May 2022 local elections resulted in numerous Member changes and therefore member training on ethics and probity, as well as other topics, was provided during 2022/23.</p>
<p>B. Ensuring openness and comprehensive stakeholder engagement.</p>	<p>Council meetings and Committees are routinely held in public unless there are good reasons for not doing so on the grounds of confidentiality/disclosure of exempt information which are provided for in statutory provisions.</p> <p>The Council has invested in the technology to facilitate the webcasting of meetings meaning that stakeholders and residents can attend meetings if they wish to or watch them online. This</p>

technology was proven particularly effective during the Covid-19 pandemic and enabled critical Committees to continue and be available to the public. As the Council has exited the restrictions enforced by the pandemic, Council meetings and Committees have returned to face-to-face meetings, with the option to attend virtually to observe.

An online library of meeting agendas, attendance, supporting papers, decisions and minutes is maintained on the Council's website. As a result, the decision-making process can be considered and reviewed by stakeholders and the public from inception through to final decision and any ultimate scrutiny.

The Council has sought community views on a wide range of issues and has undertaken regular consultation and engagement with citizens and service users. During 2019/20 the Council launched a Consultations Hub to better facilitate consultations. Details of current, planned, and past consultations have been made available on the Council's website along with information on how the public/stakeholders can put forward their views. The Hub has had a positive impact on consultation resulting in increased transparency and accessibility providing the Council with a more balanced view of public opinion.

The Council's Overview and Scrutiny Committee has engaged with stakeholders, residents, and community groups to review services and drive improvement in service delivery. The Overview and Scrutiny Committee includes co-opted residents with relevant knowledge and has encouraged residents to attend its meetings, which are open to the public and webcast. Further, residents, community groups and expert witnesses have been invited to participate in Scrutiny review and challenge sessions so the Committee can hear directly from those whose interests are represented.

	<p>Social media channels have been used extensively to support the Council's engagement with stakeholders. The Council has adopted a Social Media Policy to provide advice and guidance on the use of social media.</p>
<p>C. Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>The Strategic Plan is the main business planning document of the Council. It sets out the corporate priorities and outcomes, the high-level activities that will be undertaken to deliver the outcomes, as well as the measures that will help determine whether the Council is achieving the outcomes. The Council has a structured set of plans which turn the vision into actions, through directorate, key council strategies and service plans. The plan is refreshed annually. The latest version has been published on the Council's website.</p> <p>The performance of the Council against measurable outcome-led targets has been assessed through performance monitoring reports that have been considered within directorates, by the Corporate Leadership Team, Overview and Scrutiny Committee, Cabinet and subsequently at other meetings of relevance. Any such reports can also be called in for scrutiny and reviewed by the Audit Committee.</p>
<p>D. Determining the interventions necessary to optimise the achievement of the intended outcomes.</p>	<p>The Council, Cabinet and Committees have received regular reports on performance monitoring, the strategic plan and other policies and procedures which demonstrate the level to which intended outcomes are being achieved and any interventions planned to address issues.</p> <p>All decisions being considered have been objectively and rigorously analysed by the Monitoring Officer and the Chief Financial Officer and all reports have set sections for legal and finance comments to be recorded. Reports have been cleared by finance and legal officers before publication, although on some occasions finance and/or legal are given very little time to review and comment and we will seek to improve lead times.</p>

	<p>The Council's Performance Management and Accountability Framework (PMAF) sets out how we establish whether performance improvement is necessary. The Performance Improvement Board is the main board responsible for identifying and determining interventions to bring about improvements and this board has met regularly.</p> <p>The Council's Performance Improvement Board challenges services where there are identified concerns, takes a trouble-shooting approach, acts as a "critical friend" to drive improvement in performance, and makes recommendations about where to focus resources to drive improvement.</p>
<p>E. Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p>	<p>The roles of all officers (including statutory roles) have been defined in agreed job descriptions and person specifications. Staff performance is reviewed annually using an approach called 'My Annual Review (MAR)' which was introduced during 2020/21 to improve the process and make it simpler to facilitate a two-way conversation. The MAR process has had a positive impact on staff, as it has become embedded across the Council, with metrics suggesting engagement has increased. Management will continue to monitor compliance with the process and address areas of weakness.</p> <p>The Council has articulated its values and behaviours in 'TOWER values' which includes a behaviours framework to support officers in the MAR process and when recruiting staff.</p> <p>The Council's transformation programme, called People First (this has replaced Smarter Together), is focussed on achieving the objectives set out in the Strategic Plan for 2022-26. Key elements of People First include:</p> <ul style="list-style-type: none"> <li>• putting our borough first, by ensuring the Council can support as many residents and businesses as possible and maximise the benefits of bringing Tower Hamlets Homes and leisure services in-house and investing £19m into our young people</li> </ul>

	<ul style="list-style-type: none"> <li>• put staff first they have the support to deliver the best outcomes you can, without being held back by red tape or systems that are not fit for purpose.</li> </ul> <p>All members have been provided with a Member Induction Programme and wider Member Development Programme. Members also have an online portal (members hub) to give them access to many useful documents and materials and a weekly Member Bulletin email to keep them updated with the work of the Council.</p> <p>Cabinet Members and the Mayor are held to account through regular attendance at Overview and Scrutiny Committee and Sub-Committee meetings as well as through monthly Portfolio meetings with the Mayor and quarterly performance and budget monitoring meetings.</p> <p>Staff new to the Council are provided with a corporate Induction and provided with additional documents and policies to support their induction, this includes mandatory training in areas such as data protection, anti-fraud and whistleblowing. Management will continue to monitor completion of the training and address any related areas of non-compliance.</p> <p>Staff are provided with a wide range of development opportunities through the Learning Hub. The Council has adopted a range of supporting plans and strategies including the People and Wellbeing Plan, and the Workforce Development Strategies.</p>
<p>F. Managing risks and performance through robust internal control and strong public financial management.</p>	<p>The Council has adopted a risk management strategy and approach with the main priorities of providing robust systems of identification, evaluation, and control of risks which threaten the Council's ability to meet its objectives to deliver services to the community. A five-year Risk Management Strategy was reviewed and agreed by CLT at the end of 2019/20 and the Audit Committee in July 2020.</p>

Risk management is part of the Council's day-to-day activities and decision-making and regular reports have been provided at corporate and directorate level. The Corporate Risk Register is independently reviewed by the Audit Committee.

In July 2023 the Audit Committee received the annual report for risk management for the 2020/21 period. The report stated that "The current position at the Council is that Risk Management practices are established but not fully embedded and mature. Moreover, there are inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk." A number of actions were included in the report and were endorsed by the Audit Committee.

The Corporate Director, Resources is responsible for the proper administration of all aspects of the Council's financial affairs including ensuring appropriate advice is given to the Council on all financial matters. The Council's system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

A Medium-Term Financial Strategy is in place and is refreshed annually. Revenue and capital budget planning based on corporate priorities are led by the Corporate Leadership Team and are presented for approval by the Council. Revenue and Capital Budget Monitoring reports have been presented to the Cabinet on a regular basis, this includes the annual outturn. Members have been able to scrutinise budget monitoring through the relevant Committee to ensure performance and risks are managed.

The Council has continued to face a challenging financial environment throughout 2022/23. The provisional outturn position for 2022/23 is expenditure of £403.5m against a budget of £389.5m, resulting in a gross overspend of £14.0m. Following the proposed net drawdown of earmarked reserves totalling £14.6m, there is an overall £0.6m net underspend.

Within the provisional outturn, the Council plan to utilise £4.4m of this non-ringfenced COVID-19 funding to mitigate against in-year COVID-19 pressures which continue to persist. Continued COVID recovery alongside a spike in inflation, fuel prices and the impacts of these on the cost of living will be key aspects for the Council to consider in its medium-term financial planning going forward.

Since 2019/20 Finance has been focussed on rectifying significant issues with the 2018/19 and 2019/20 Statement of Accounts. The Mayor, Cabinet Members, CLT and the Audit Committee have been provided with regular updates on progress to finalise the accounts. It is anticipated that the 2018/19 and 2019/20 audits will be finalised imminently, though they will receive qualified audit opinions. A draft SoA for 2020/21 was published in January 2022.

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

During the year 22 / 23 the Investigations team received 309 referrals which can be broken down into:

- 229 Social Housing Fraud Referrals
- 37 Corporate Fraud Referrals
- 43 Other Fraud

This represents a significant increase on previous years and has returned to pre-pandemic levels. As a result, 33 properties were recovered and 7 fraudulent Right to Buy transactions were prevented. In addition, 12 other cases included convictions and £267,207.51 was awarded in two unlawful profit orders.

	<p>The delay in the courts has continued to be an issue with some cases being listed for trial in November of 2024. The team are actively investigating out on the borough and regularly interview under the Police and Criminal Evidence Act which results in further evidence being obtained. It has taken some time, but full operational efficiency and capacity has been restored following the pandemic.</p> <p>All reports to Council, Cabinet and Committees are required to set out key implications and information in areas such as risk, equalities, safeguarding and environmental impact.</p> <p>The Audit Committee is responsible for considering the Council's arrangements for internal governance and financial management and to recommend any actions accordingly. It has received a number of relevant reports such as annual internal audit plans, reports from external audit, anti-fraud and corruption initiatives and risk management.</p> <p>The Council's Internal Audit service undertakes an annual programme of audits which includes providing assurance over the Council's risk management processes. If any areas for improvement are identified Internal Audit makes recommendations for management to consider and implement. Progress against the plan and the outcomes of audits are reported to the Audit Committee.</p>
<p>G. Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.</p>	<p>The Council has a published constitution setting out how decisions are taken and how the public can get involved in decision making, including access to information, petitions, and ways of getting involved in decision making. The constitution is published on the Council's website and it was last updated and agreed at full Council in May 2023.</p> <p>The Council seeks to write and communicate reports and other information for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</p>

The Council webcasts its Council, Cabinet, Strategic Development Committee, Development Committee and Overview and Scrutiny Committee meetings to ensure maximum transparency. During the Covid-19 pandemic the Council introduced virtual meetings and has also webcast all committee meetings including the Licencing Sub Committee and the Audit Committee. As restrictions eased, meetings returned to “in-person” with a virtual option available.

The Council maintains an up-to-date website which provides a mechanism for the Council to publish information important in ensuring transparency of its actions.

The Council’s constitution sets out the terms of reference of all Committees to ensure information is presented to the appropriate Committees. Access to Information rules set out how the Council maintains good public access to information and reports.

The Council updated its Code of Corporate Governance, and it was presented to the Corporate Leadership Team and the Audit Committee for approval in July 2023.

There are governance arrangements for the partnership structure. The Tower Hamlets Plan identifies how the partnership will work together through the Partnership Executive Group to deliver cross-cutting activities. The Partnership Executive Group led is by the Mayor with chief officers from key local partner organisations and a range of Partnership groups/ board including statutory boards.

The Head of Internal Audit provides an independent and objective annual opinion on the effectiveness of internal control, risk management, and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The Head of Internal Audit delivers a quarterly progress report to the Audit Committee setting out the outcome of Internal Audit and Counter Fraud activity.

	<p>The Council responds to the findings and recommendations of External Audit, Scrutiny, and Inspection bodies. The Audit Committee is integral to overseeing independent and objective assurance and monitoring improvements in internal control, risk management and governance. However, management's responsiveness to internal audit is inadequate for some audits with the implementation of agreed recommendations taking many months. The Head of Internal Audit has raised these concerns with the senior officers and the Audit Committee and has introduced new procedures to improve engagement with management.</p> <p>As senior Council decision making bodies, the Audit Committee, and any other relevant Non-Executive Committee including Scrutiny, can report any concerns they have regarding actions that have not been undertaken.</p>
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## Internal Audit

The Council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole of the Council's activities. It is a requirement for the Head of Internal Audit to give an annual opinion on the adequacy and effectiveness of governance, risk management and internal controls within the Council. The Head of Internal Audit reported the 2022/23 annual opinion to the Audit Committee in July 2023.

### 2022/23 Head of Internal Audit Annual Opinion Issued in July 2023

#### *Basis of the Annual Opinion*

*The outcome of the audits undertaken during the year by Internal Audit forms the primary basis of the annual audit opinion over the adequacy and effectiveness of the governance, risk, and control framework. Additionally, there has also been recourse to the following sources of evidence and assurance:*

- *Anti-fraud and fraud investigations*
- *Follow up of management actions*
- *The Council's governance and risk management framework*
- *Inspections and external reviews, including work undertaken by the external auditor.*

*The Head of Internal Audit's Opinion for 2022/23 is that having considered the relevant evidence, it is my opinion that I can provide **Reasonable Assurance** that the Council has adequate systems of governance, risk management and internal control.*

*Head of Internal Audit, Anti-Fraud and Risk.*

The full report from July 2023 is available on the Council's website.

## External Audit & Inspections

### External Audit

From 1 September 2018 Deloitte LLP was appointed as the Council's external auditor, this was following the decision of the Council to opt into the Public Sector Audit Appointments Limited (PSAA) arrangement. The PSAA Board appointed Deloitte to audit the accounts of the Council for a period of five years (2018/19 to 2022/23).

Deloitte has been unable to complete its audit of the 2018/19 or 2019/20 financial statements. There have been significant issues with the Council's 2018/19 and 2019/20 statement of accounts, and it has taken many months for these issues to be investigated and fully resolved. At the time of drafting this statement (October 2023), the 2018/19 and 2019/20 audits remain incomplete, although it is expected that they will be completed imminently. Additionally, the Council's draft Statement of Accounts for 2020/21 was published in January 2022. Progress on external audit activity has been reported regularly to the Audit Committee.

### Other Inspections and Review

Following the pandemic, there was a phased return to most inspection activity with a bias towards understanding the impact and challenges that the pandemic brought about. During the 2022-23 work by external review bodies/inspectors comprised the following:

- An inspection of the Youth Offending Service which issued an overall rating of Requires Improvement in July 2022. An external peer review of Youth Justice was commissioned and took place in February 2023 and their judgement was that good progress had been made in driving the improvement plan that was put in place with new leadership following the inspection
- An Ofsted Focused visit to London Borough of Tower Hamlets children's services was carried out in July 2022. The report from this inspection was very positive about the service that the Council is providing to its children in care
- An Ofsted short inspection of Idea Store Learning was carried out in January 2023 – this concluded with an overall 'good provider' rating

- A Home Office Prevent Benchmark Performance Review was carried out in March 2023 – this concluded that the ‘service is exceeding requirements against all duties’.

## **Companies, Arms-Length Management Organisations and Charities**

The Council is involved in a number of companies as well as an Arms-Length Management Organisations and Charities, the significant ones of which are detailed below.

### Tower Hamlets Homes

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

The Council’s Internal Audit team provides internal audit services to THH. In keeping with the Public Sector Internal Audit Standards, the Head of Internal Audit issued an annual opinion for 2022/23 about the governance, risk management and internal control arrangements. The opinion was as follows:

*Primarily on the basis of the audit and anti-fraud activity undertaken during the year, but also taking into account external assurances and other relevant matters, it is my opinion that I can provide **Reasonable Assurance** that Tower Hamlets Homes has adequate systems of governance, risk management and internal control.*

*Head of Internal Audit, Anti-Fraud and Risk.*

### King George's Field Trust

The Council serves as sole trustee of the King George's Field, Mile End charity. The charity is governed by a Trust Deed, and is unincorporated, being established by a Scheme of the Charity Commission dated 28th February 2000. The Charity's objectives are set out in Trust Deeds, which are as follows "To preserve in perpetuity the covenanted land and to apply the land to such charitable purposes as are set out in the Recreational Charities Act 1958, including the construction of indoor recreational facilities, subject to the approval of the National Playing Fields Association and the Charity Commission in respect of any additional purposes".

The Trust has no employees of its own and is dependent on staff of the Council for its operations; its standing orders with respect to controls for procurement, expenditure and income are aligned to those of the Council.

### **Significant Governance Issues**

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

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

Progress against Significant Governance Issues Identified in 2021/22

The 2021/22 AGS included 7 significant governance issues which needed to be addressed. A summary of progress/outcomes against these actions follows:

No.	Issue	Action	Progress / Outcome
1	Issues have previously been identified with both the 2018/19 and 2019/20 Statement of Accounts (SoA) and reflected in the 2018/19, 2019/20 and 2020/21 AGS' respectively. These significant issues continue to be addressed. The SoA's continue to be subject to external audit review (by Deloitte). Further adjustments may be required through the audit process but these in themselves may not be sufficient to achieve an unqualified audit opinion.	<p>Through the completion of the Council's Finance Improvement Plan (FIP), the Finance Team's ongoing work to address audit queries, and finalise the 2018/19 and 2019/20 SoAs audits.</p> <p>Build on learnings from the process, and implement the effective improvements from the FIP, prepare draft versions and complete the audits of both 2020/21 and 2021/22 SoAs.</p>	<p>It is anticipated that the 2018/19 and 2019/20 audits will be finalised imminently, though they will receive qualified audit opinions.</p> <p>Work continues to implement and embed the process improvements set out in the FIP.</p> <p>The draft SoA for 2020/21 was published in January 2022.</p>
2	Financial sustainability and budget management – there is a persistent underlying overspend in adult social care and budget management (including the closure of account process) needs further strengthening	<p>Implement the Adult Social Care Improvement Programme (this programme covers finances, practice, and quality (and includes re-procurement of domiciliary care services (underway) and implementation of electronic home care monitoring)</p> <p>Reduce levels of debt, including charges for care services and NHS debt (including implement recommendations</p>	<p>The Council has continued to focus their efforts on addressing adult social care budget challenges and work has continued throughout 2022/23 in monitoring performance and budgets. Like other Councils, increased demand and complexity for adult social care continue to drive cost pressure.</p> <p>The Improvement Programme continues to progress well with two key areas of work for the medium to long-term being finalised – housing with care strategy and technology enabled care. The</p>

		<p>in the internal audit of the Financial Assessments of Contributions to Social Care internal audit). Progress in 2021/22 and work ongoing.</p> <p>Further strengthen budget management across the directorate and particularly in Adult Social Care with a particular focus on the quality and accuracy of forecasting and the outturn and closure of accounts process. Significant progress in 2021/22 – focus on adult social care continues.</p>	<p>home care procurement is at the bid evaluation stage.</p> <p>Budget management has been significantly strengthened. Work to address debt continues with a number of service users moved to payment plans to pay back debt incurred.</p> <p>There is recognition that work still needs to continue to address underlying budget pressures and overspends through the Directorate Budget Board and the Improvement &amp; Transformation Programme. This is particularly important as some short-term grants from central government and funding streams from the NHS are ending.</p>
3	Compliance with standards in relation to Video Surveillance Systems (VSS) across the Council	Continue with project (led within the directorate but covering systems across the whole Council) to ensure compliance with standards.	<p>Further actions taken in line with the Council's 'Roadmap to Compliance' compliance have included:</p> <ul style="list-style-type: none"> <li>• Approved a corporate Video Surveillance Corporate Code of Practice</li> <li>• Further develop processed governing the sign-off of Data Protection Impact Assessments</li> <li>• Mandate the completion of the Surveillance Camera Code of Practice Self-Assessment Tool for all Directorates with responsibility for VSS to provide a picture of compliance.</li> </ul>

4	Quality Assurance in Adult Social Care	<p>Implement further developments to Mosaic (IT system) and improve the quality of data on the system as part of the Adult Social Care Improvement Programme</p> <p>Strengthen the governance in relation to implementation of recommendations from Safeguarding Adults Reviews.</p>	<p>Significant improvements to the Mosaic system, consistency and data quality have been achieved. The current phase of the transformation programme includes further improvements and updates to the Mosaic system and a continued focus on data quality.</p> <p>All work on the governance of implementation of recommendations from Safeguarding Adult Reviews is complete, signed off by Internal Audit and well-embedded. The arrangements have been fully discussed and agreed with the Safeguarding Adults Board Executive.</p>
5	SEND Local Area Inspection 2021 – requirement of the Council and the CCG for a Written Statement of Action in relation to four areas of weakness	<p>Written Statement of Action approved by Department for Education (DfE) and NHS England – to be termly monitored</p> <p>SEND Improvement Plan overseen by SEND Improvement Board</p>	<p>DfE and NHSE have reported that they are happy with the progress against the Written Statement of Action from our termly monitoring meetings – at which we have submitted substantive evidence against each of the four areas of weakness identified.</p> <p>The SEND Improvement Plan continues to be driven and overseen by the SEND Improvement Board, which brings all relevant partners together, and which reports up to the Tower Hamlets Together Board &amp; Health &amp; Wellbeing Board.</p>
6	King George Fields Trust – Charities Commission investigation into delayed submission of accounts – continued action to submit accounts and annual report in a timely manner. 2020/21 accounts and annual report on track to file by July 2022, however,	<p>Urgent resolution of 2020/21 accounts and annual report.</p> <p>Completion of review of governance arrangements.</p>	<p>The accounts for 2020/21 accounts were filed and the Charities Commission was satisfied that no further action was necessary.</p>

	notification this will be late, with Charities Commission aware of progress.		
7	An audit of Risk Management in 2019/20 identified that whilst the framework, strategy and procedures were well documented, directorate and service level compliance with the procedures was variable. The audit also found that, for the Corporate Risk Register, there was insufficient management review and challenge by the Corporate Leadership Team.	At the update provided to Audit Committee, in November 2022, it was stated that some progress had been made in identification and review of risks, but also that some of the underlying processes that underpin a robust risk register require further work.	Work to improve the risk register is ongoing. An annual report on Risk Management was presented to the Audit Committee at its July 2023 meeting and this included further actions designed to improve the Council's risk infrastructure.

Significant Governance Issues Identified in 2022/23

All Corporate Directors have submitted their returns for 2022/23 to the Chief Executive. The following table summarises the most significant issues raised and the proposed actions to address them:

No.	Issue	Action	Responsible	Timescale
1	<p>Issues have previously been identified with both the 2018/19 and 2019/20 Statement of Accounts (SoA) resulting in lengthy delays in external audit certification.</p> <p>Consequently, the external audit of the 2020/21, 2021/22 and 2022/23 accounts has been delayed and therefore the statutory deadline for publishing the accounts for these years has not been met.</p>	<p>Work is ongoing to finalise the 2018/19 and 2019/20 SoAs audits and revised accounts for these years will be presented to the Audit Committee in November 2023. Draft accounts for 2020/21 were issued in January 2022.</p> <p>The Council will now focus on producing and publishing its draft Statement of Accounts in relation to 2021/22 and 2022/23 at the earliest opportunity, and to therefore do so prior to progressing with the completion of the 2020/21 audit. Public inspection in line with the requirements of the Accounts and Audit Regulations (2015) will then commence as soon as draft accounts [for 2021/22 and 2022/23] are published on the Council's website.</p> <p>Whilst the external audits for prior years remain incomplete, there is a risk that the external auditor may identify adjustments which will have an impact on the 2021/22 and 2022/23 accounts. However, we</p>	Corporate Director of Resources	Ongoing and subject to revised guidance from DLUHC.

No.	Issue	Action	Responsible	Timescale
		<p>consider this risk is outweighed by the benefit of the actions described above, which prioritise financial accountability and appropriate governance in the circumstances, and which we consider to be substantially in the public interest.</p> <p>Annual Governance Statements for 2020/21, 2021/22 and 2022/23 will be presented to the Audit Committee in October 2023 for approval.</p>		
2	Weaknesses in completing reconciliations of the payroll system in a timely fashion.	<p>To be completed on a more regular basis and improvements to be picked up in outcome of decision re new financial system.</p> <p>Initial improvements were implemented during March 2023 and further system improvements are linked to timetable of implementation of new financial system.</p>	Director of Finance, Procurement & Audit	2023/24
3	Historic weaknesses in accounting for VAT and underlying compliance with HMRC requirements, leading to an estimated underpayment.	<p>Ongoing contact with HMRC to understand and urgently resolve the issues that have been identified.</p> <p>To deliver actions included in the action plan provided by HMRC.</p>	Director of Finance, Procurement & Audit	Ongoing, but largely subject to a revised action plan from HMRC
4	Ongoing challenges to the sector's medium term financial sustainability. For the Council, this relates particularly to challenges around the budget gap, delivery of savings targets,	Boards have been set up to drive the transformation programme, add rigour to financial management and ensure that the efficiencies detailed in the MTFS are	Corporate Director of Resources	Ongoing

No.	Issue	Action	Responsible	Timescale
	<p>alongside persistent overspends in demand led services, such as Housing &amp; Homelessness and Adult Social Care.</p>	<p>achieved. These arrangements include the Budget Board, which is chaired by the Section 151 Officer and leads on approving budget efficiencies, including saving targets, budget growth requests and in-year variances.</p> <p>Directorates have been issued with £40m savings targets to achieve and proposals will progress through the Board governance framework to ensure they are deliverable, and all potential savings are identified.</p> <p>A savings target has been attached to Corporate Restructure Initiative.</p> <p>One-off use of reserves to smooth any budget gap over the medium-term.</p> <p>Service specific action plans are in place which include, for example, continued implementation of the Adult Social Care Transformation Programme, and work in the Housing Options service to enable upstream work designed to prevent homelessness occurring, bringing homeless people into employment and utilising cheaper accommodation.</p>		
5	<p>Quality Assurance in Adult Social Care.</p>	<p>Implement further developments to Mosaic (IT system) and further improve the quality of data (also part of the Adult Social Care Transformation Programme).</p>	<p>Director of Adult Social Care</p>	<p>2023/24</p>

No.	Issue	Action	Responsible	Timescale
6	Financial sustainability and budget management – there is an underlying overspend in waste and street cleansing services following insourcing and budget management needs further strengthening.	Implement a waste improvement plan targeting illegal waste through increased enforcement activity; improve commercial waste offer and increase market share (whilst also targeting over production of waste by existing commercial waste customers through targeted enforcement activity to drive compliance and increase sales); reduce contamination through identification of hotspots followed by targeted communication (education/advice/enforcement); target rogue landlords through policy change/intervention; workforce: recruitment of permanent staff to replace temps, overtime reduction; route optimisation and increased staff training to reduce vehicle damage/insurance claims.	Interim Corporate Director of Communities	March 2024
7	SEND Local Area Inspection 2021 – requirement of the Council and the CCG for a Written Statement of Action in relation to four areas of weakness.	Written Statement of Action approved by Department for Education (DfE) and NHS England – to be termly monitored  SEND Improvement Plan overseen by SEND Improvement Board	Corporate Director, Children’s Services  Director of Education	Termly Monitoring  Ongoing – bi-monthly
8	Youth Offending Inspection 2022 – Requires Improvement judgement.	Youth Justice Improvement Plan overseen by Youth Justice Management Board	Corporate Director, Children’s Services	Ongoing – bi-monthly
9	The Annual Risk Management report for 2022/23 stated that ‘Risk Management practices are established but not fully embedded and mature. Moreover, there are	Implementation of the Action Plan included in the report to Audit Committee at its July 2023 meeting.	Head of Audit, Anti-fraud, and Risk	Ongoing during 2023/24

No.	Issue	Action	Responsible	Timescale
	<p>inconsistent levels of engagement in the underlying processes (reviewing risk articulation, updating controls, removing redundant risks), and consequently there is limited confidence that the underlying risk data held on JCAD is accurate and useful as a tool for managing risk.</p>	<p>To further strengthen Risk Management and corporate governance across the Council, an Internal Control Framework will be developed and embedded.</p>	<p>Corporate Director of Resources</p>	<p>2023/24</p>
<p>10</p>	<p>2022-23 saw a significant downturn in development activity in the borough, an issue seen across London due to the housing market and issues in the wider economy. LBTH relies on a buoyant development sector in a number of ways. Fees charged as part of the planning and development process fund the Planning and Building Control Service. Funding secured via the Community Infrastructure Levy plays a key role in delivering the capital program and S106 secured also support the delivery of a number of services within the council. A slowdown in development impacts all these income streams and can impact the pipeline of income for a number of years. In respect of the Planning and Building Control service, requests for a reserve account to smooth the cyclical nature of the development pipeline have not previously been supported but would help ensure the service can manage</p>	<p>Continue to develop our understanding the development pipeline and barriers to development coming forward.</p> <p>The Council's budget setting process for 2024/25 will include specific actions to mitigate the effects of annual fluctuations in planning and development income.</p>	<p>Director of Planning and Building Control</p> <p>Director of Planning and Building Control</p> <p>Corporate Director of Resources</p>	<p>Ongoing</p> <p>By the end of 2023/24</p>

No.	Issue	Action	Responsible	Timescale
	its own pressures across the development cycle.			
11	Cyber Security and Resilience	<p>Ongoing active monitoring of cyber risks and the IT control environment.</p> <p>Deployment of the Zero Trust Network Architecture.</p> <p>Continuing to raise awareness and train staff in Cyber Security.</p> <p>Aligning the Cyber Security Strategy with the NCSC Cyber Assessment Framework.</p>	Corporate Director of Resources	Ongoing

### Conclusion for 2022/23

2023/23 has been another challenging year, with the continued rising cost-of-living alongside the long-term effects of the COVID-19 pandemic having a profound affect. The Council has continued to continue to support our most vulnerable residents during challenging times and worked tirelessly to tackle inequality, though the cost-of-living crisis also means that people will need more from the Council at a time when we expect future funding from central government to reduce.

In response, we have updated Medium-Term Financial Strategy to ensure our budget can support delivery of our priorities and address the significant financial challenges facing the Council. Additionally, changes to key services have also been announced with the planned insourcing of Tower Hamlets Homes, Youth Services and Leisure Services. We have also brought back grants for Educational Maintenance Allowance and University Bursaries for young people, and we have expanded free school meals to all secondary schools – the only local authority in the country to do this.

Whilst we are pleased with our progress, there remains significant challenges, in addition to the long-term impact of the pandemic, global issues and greater economic pressures such as the “cost-of-living crisis” for the entire nation, we still want to address issues around closing our financial reporting, budget management and service performance in key areas.

We recognise that good governance requires a culture of continuous improvement and challenge, we will continue to seek improvement and will be self-critical in doing so to ensure we uphold the highest possible standards of good governance.

We have put action plans in place to address any issues and regularly report progress via the Corporate Leadership Team and relevant Committees.