

Harlow Council - Annual Governance Statement 2013/14

1. Scope of responsibility

- 1.1. Harlow Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2. In meeting this overall responsibility, the Council must put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3. The Council has in place all of the elements of a framework of governance consistent with the principles of the [CIPFA/SOLACE Framework Delivering Good Governance in Local Government](#). This statement explains how the Council delivers good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011, in relation to the publication of an annual governance statement.

2. The purpose of the Governance Framework

- 2.1. The Governance Framework comprises the systems and processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives. The system is designed to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).
- 2.4. The Council's governance framework has been in place within the Council for the year ended 31 March 2014 and up to the date of the statement of Accounts (30 June 2014).

3. The Governance Framework

3.1 The Council's Governance Framework has been set up over successive years and is reviewed annually to ensure its continuing effectiveness having regard to the six CIPFA/SOLACE principles of effective governance which are:

- **Purpose and Outcomes** - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area
- **Functions and Roles** - Councillors and officers working together to achieve a common purpose with clearly defined functions and roles
- **Conduct and Behaviour** - Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- **Scrutiny and managing Risk** - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- **Capacity and Capability** - Developing the capacity and capability of Councillors and Officers to be effective
- **Accountability** - Engaging with local people and other stakeholders to ensure robust public accountability

3.2 A brief description of the key elements of Governance Framework in place at Harlow Council is included as appendix one. The annual review of the effectiveness of this framework is covered in the next section.

4. Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by

- a) the work of the senior management team who have responsibility for the development and maintenance of the governance environment,
- b) the Internal Audit Manager's Annual Report,
- c) comments made by the external auditors
- d) other review agencies and inspectorates.

4.2 The review has been led by the Governance Group comprising the Monitoring Officer, the Section 151 Officer, the Policy and Performance Team Leader, the Internal Audit Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, we have kept in mind the six CIPFA/SOLACE principles of effective governance. The Group has considered the following evidence:

- a) Service Assurance Statements – each Head of Service as well as the Chief Executive and Chief Operating Officer have completed a self assessment covering the effectiveness of Governance arrangements in their area. The self assessments, which have been reviewed by Internal Audit, have been used to identify areas for improvement both at a service

level and, where more than one service has identified an area for improvement, corporate actions have been added to the improvement plan covered in the next section.

- b) The Internal Audit Manager's annual opinion on the Council's control framework, delivered to the Audit & Standards Committee, as the body charged with governance.
- c) The Audit Manager is of the opinion that overall an adequate level of assurance can be provided in connection with the Council's internal control environment. Areas for improvement were identified in a number of reviews and action plans agreed. In his opinion, for the 12 months ended 31 March 2014 the Council had adequate and effective risk management, control and governance processes to manage achievement of the Council's objectives. Where significant deficiencies in control processes have been identified by Internal Audit, the actions that the Council's management plan to take will, if implemented satisfactorily, resolve the deficiencies in the appropriate manner ;
- d) External audit reports during and on the 2013/14 year. Where these exist, we have also used reports from other agencies and inspectorates.
- e) Review of internal audit effectiveness.

4.3 During the year the Governance Group has been responsible for monitoring and reviewing the corporate governance framework and for considering specific governance issues as they arise. The work of this group has strengthened many of the Council's governance processes and has addressed issues raised in the Annual Governance Statement. In particular, the group has been able to ensure that there is better integration of the assurance framework and that the process for producing the Annual Governance Statement is more robust.

4.4 The Governance Group has undertaken an assessment of the arrangements for governance during 2013/14 and has concluded that arrangements are fit for purpose. As a result of this work, a number of Governance issues have been identified and in order to further strengthen arrangements, an action plan to address these issues is set out below.

5. Governance Issues Identified

5.1 In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These include some issues that are still in progress from preceding years, which are restated here for completeness. All are set out in the table below, together with the steps to be taken to address them.

No.	Key improvement area	Update on position	Carry forward for 2014/15
1.	Budget pressures and the impact of the economic downturn and continuing Government Funding reductions. While this is mainly outside Council control, there is a risk of loss of services, particularly those deemed to be discretionary.	Those elements that are predictable have been built into the MTFS, along with a robust process to manage budgets within each year. A Discretionary Services Fund has been set up with a view to transferring service to other organisations at a reduced level or with complete withdrawal of Council funding.	A key risk area has been income. The MTFS has addressed this pressure by either freezing or reducing income targets as appropriate. Certain earmarked reserves have been established and the minimum balance on both General Fund and HRA have been increased.
2.	Procurement and Contract Monitoring – the Council has significant areas of expenditure for which service provision is outsourced to private contractors and other third parties. During a time of reducing budgets, it is important that these contracts are monitored to secure quality of service and Value for Money.	Regular Joint Operations meetings and Joint Performance Review Meetings continue to take place with Kier. A regular contract meeting takes place with Veolia.	A full contract management audit review will be undertaken as part of the 2014/15 internal audit plan.
3.	Corporate Approach to Service Planning and Risk Management and other key elements of Corporate Governance.	Although Service Assurance Statements reveal a significantly improved position regarding the service planning and risk management activities being embedded across all services, there are still some qualified judgements in respect of the effectiveness of service planning and risk management in some areas.	The Policy and Performance team will continue to provide dedicated support to all teams to ensure that service and team plans are completed in early 2014/15. An ongoing training programme will cover these issues in the future.
4.	Accounting systems upgrade – an upgrade of the Council's financial system should result in improvements in financial and internal control as well as improved ways of working and will meet requirements of the Local Government Transparency Code 2014.	A project plan for the upgrade of the Council's financial system, Agresso, has been developed.	The upgrade is planned to go live in 2014/15. The work will take account of the requirements arising out of the Local Government Transparency Code 2014.
5.	Government reforms to	The initial consequences of	The Council will continue to

No.	Key improvement area	Update on position	Carry forward for 2014/15
	<p>the welfare system and business rates continue to be implemented having both immediate and far reaching consequences which the Council has to manage.</p>	<p>localised business rates will be known following completion of the final accounts. Further welfare changes including the benefits cap and universal credit will take effect during 2014/15. As the Council responds to these government reforms, the changes are reported at the appropriate stage to Cabinet.</p>	<p>manage the volatility to its income base as a consequence of business rates changes as well as model future impacts. It will also need to manage the impact of Welfare Benefits changes on Harlow residents.</p>
6.	<p>Induction of new Councillors following May 2014 elections.</p>	<p>A programme of induction days will take place during 2014/15.</p>	<p>An Induction Day for new Members took place on 5 June 2014. An Officer Mentor has been allocated to all new Members.</p>
7.	<p>Partnerships – two new partnerships, Harlow Wellbeing Partnership and Harlow Fairness and Equality Partnership, have been constituted to take forward Harlow’s Vision.</p>	<p>Although the partnerships’ remits have been defined, they have yet to meet. This is planned for after the election in May 2014.</p>	<p>The Governance Group will undertake a review of the effectiveness of these partnerships in taking forward Harlow’s Vision during the year. This will be assisted by an Internal Audit review.</p>
8.	<p>Service Assurance Statements – whilst assurance statements underline a positive direction of travel with respect to Governance, there are still areas where only qualified assurance was provided.</p>	<p>Qualified assurance provided in the following areas:</p> <ul style="list-style-type: none"> • Responding to internal audit reports • Risk Management • Service Planning • Staff Appraisals <p>Although substantial improvements have been made through the year, the Council will target continued improvement within the existing resources available.</p>	<p>Internal Audit to focus on outstanding recommendations in 2014/15 and work more closely with departments on effective implementation plans.</p> <p>Internal Audit to undertake a review of service plans and PPP completion incorporating risk management during the year so that Governance Group can assess progress in this area.</p>

5.2 The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit Committee. All actions are assigned to a named officer as part of their 2014-15 work plans. Furthermore, the Corporate Governance Group will issue an updated Code of Corporate Governance with action plan to ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

We, the undersigned, are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. The Council's Governance Group will monitor their implementation and operation throughout the year and report progress as part of our next annual review.

Signed:

Date:

(Leader of the Council)

Signed:

Date:

(Chief Executive)

PURPOSE AND OUTCOMES	FUNCTIONS AND ROLES	CONDUCT AND BEHAVIOUR	SCRUTINY AND MANAGING RISK	CAPACITY AND CAPABILITY	ACCOUNTABILITY
Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.	Councillors and Officers work together to achieve a common purpose with clearly defined functions and roles.	Promoting values for the Council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.	Developing the capacity and capability of Councillors and Officers to be effective.	Engaging with local people and other stakeholders to ensure robust public accountability.
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<ul style="list-style-type: none"> • A new corporate plan covering 2013/14 to 2015/16 has been approved. • Two key strategic partnerships have been agreed to take forward Harlow's Vision, the Harlow Well Being Partnership and Harlow Fairness and Equality Partnership. • Key strategic partnerships with Kier, Veolia and Westerleigh to deliver service and efficiency gains. • New statement of Council's governance expectations for partnering and contracting. 	<ul style="list-style-type: none"> • The Constitution which sets out decision making framework, gives clear definitions of roles and responsibilities and a protocol for how Councillors and Officers work together. 	<ul style="list-style-type: none"> • A robust whistleblowing policy and zero tolerance approach to fraud and corruption. • Leadership encourages open and supportive culture. • The Constitution sets out codes of conduct for Councillors and Officers. 	<ul style="list-style-type: none"> • Guide to decision making in Cabinet style of Governance. • Standard committee report format and modern.gov system for reporting. • Overview and Scrutiny Committee. • Audit and Standards Committee. • Medium Term Financial Strategy and integrated service planning approach. • A corporate Risk Strategy and toolkit. • A revised performance management framework which includes new integrated performance and financial management report. 	<ul style="list-style-type: none"> • A People Resources Plan to ensure that the Council has the staff, the skills, the knowledge, the facilities and the resources to meet legal requirements, its Vision and Corporate Plan. 	<ul style="list-style-type: none"> • Defined standards of customer service backed by a complaints procedure. • Strategy for encouraging stakeholder involvement. • Embedded corporate equalities group.
<ul style="list-style-type: none"> • An active Corporate Governance Group which has taken charge of the Annual Governance Statement. 					