Harlow Council - Annual Governance Statement 2015/16

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 2016 and up to the date of the Statement of Accounts (30 June 2016).

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 with 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 1. 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 role of the Cabinet and committees, including the Audit and Standards Committee

c)   the Internal Audit Manager's Annual Report

d)   comments made by the external auditors

e)   other review agencies and inspectorates

4.2. The review has been led by the Governance Group comprising the Monitoring Officer, the Section 151 Officer, a Policy and Performance representative, the

Internal Audit Manager, the Legal Services Manager and other officers when they have specific contributions to make. In carrying out the review, the Group has 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, in conjunction with their managers, 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 and Standards Committee, as the body charged with governance.

c)   Based upon the results of work undertaken during the year it is the Internal Audit Manager's overall opinion that the Council has an adequate and effective governance, risk management and control framework for 2015/16. Areas for improvement were identified in a number of reviews and action plans agreed. 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 issued during the 2015/16 year. Where these exist, we have also used reports from other agencies and inspectorates.

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 2015/16 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.   This final part of the Annual Governance Statement (AGS) outlines the actions taken, or proposed, to deal with significant governance issues identified. The Council's Governance Group, which monitors and reviews the corporate governance framework, has ensured that the issues raised in the previous AGS have been addressed as detailed in Table 1 below:

Table 1 – Progress on significant governance issues identified in the 2014/15 AGS

Significant issue identified in 14/15 AGS	Action taken in 15/16 to address the issue
1. Corporate Approach to Service Planning and Risk Management Since the previous AGS there have been improvements in risk management and service planning processes with further work required.	Risk management monitoring and reporting arrangements continue to be enhanced, ensuring these are integrated with business and service planning processes, with a new IT based system being introduced to support this.
2. Corporate approach to Anti-Fraud In light of benefit fraud moving to the DWP Single Fraud Investigation Service, now is a good time for the Council to consider its approach to corporate fraud.	The focus of anti-fraud work this year has been to update the Council's Whistleblowing policy and undertake an assessment of housing fraud risks (including Right to Buys). An action plan is being developed to ensure the maximum benefit is achieved from the resources available with a specific focus on potential housing fraud.
3. Partnerships There are a wide range of partnerships in place in order to deliver the Council's priorities and objectives. This is expected to increase as the Council continues to address government funding challenges.	The Council has established a register of community partnerships and has risk assessed them in order to help the Council ensure they have adequate assurances and governance arrangements in place. A partnership protocol is being drafted by the Head of Community Wellbeing.
4. Business continuity plan testing Testing regimes need to be introduced to verify the effectiveness of business continuity plans, train participants on what to do in a real scenario and identify areas where the plan needs to be strengthened.	A review and update of corporate and key service business continuity plans has taken place. A desk top exercise involving the senior management team is planned for early 2016/17 to help test these plans.
5. Succession planning Teams stated in their Service Assurance Statements that they were attempting to address this issue as part of current restructures or that there was a need to review this area, especially in small teams with a high staff turnover.	Succession planning and the need for greater knowledge sharing continue to be addressed through implementation of the People Resource Plan, which also identifies this as an area for focus and improvement.
6. Project Management training Teams were aware of project management processes but not always adequately trained in this area.	Information on the Council's project management resources, including templates and support available, was disseminated to managers to raise awareness.

5.2.   In preparing this statement and reviewing the effectiveness of the Council's governance arrangements, the following areas have been identified for improvement. These are set out in the table below, together with the steps to be taken to address them:

Table Two: Areas for improvement during 2016/17

Key improvement area	Action to be taken in 16/17
1. Financial sustainability The Council requires a robust efficiency plan	The Council will continue to plan its future financial sustainability through its Medium Term Financial Strategy. Locking in to any

Key improvement area	Action to be taken in 16/17
in order to guarantee its four year financial settlement from central government.	longer term financing settlement will be subject to production of a four year efficiency plan and will also be subject to the rules that underpin any such deal to be published by the Government.
2. Local Authority Trading Company It is important for robust governance arrangements to be put in place as Harlow Trading Services (HTS) is set up, being a significant new venture for the Council, and Kier Harlow is wound down.	Formal transition governance and reporting lines have been put in place which includes a Transition Board. Effectiveness of governance arrangements will be monitored following the establishment of the HTS (Property and Environment) Board and Harlow Council Shareholder Sub Committee.
3. Corporate approach to Anti-Fraud In light of the 2016-19 Local Government Counter Fraud and Corruption Strategy the Council needs to review its anti-fraud arrangements.	Based on a recent fraud assessment the focus of Anti-Fraud work is planned to be in the Housing area.. This will help inform a review of the Council's anti-fraud strategy and arrangements. In addition, the Council is also part of the pan-Essex group that is developing a data matching solution to identify potential fraud relating to council tax discounts and exemptions but this may also indicate other possible fraud activity.
4. Performance Management In 2016/17 the Council will be migrating its service planning, risk performance management into a single system (InPhase).	Successful completion of the InPhase project is being overseen by the Project Sponsors (Head of Finance and Head of Governance), and monitored through regular updates to CMT/HoS.
5. Service resilience Identified as a theme in the Service Assurance Statements, especially as resources are diverted in setting up Harlow Trading Services.	Resourcing requirements and alternative service delivery models will be considered to ensure the continued delivery of key Council services.

5.3.   The Corporate Governance Group will oversee this action plan over the coming year and report on progress to the Audit and Standards Committee. The Group will ensure that governance issues are promoted, addressed and monitored in a co-ordinated manner throughout the next financial year.

APPENDIX 1

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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• A new corporate plan covering 2016/17 to 2018/19 has been approved. • Open and transparent reporting of Key Performance Indicators and action plans for indicators that are out of tolerance	• 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.	• 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.	• 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 performance management framework which includes integrated performance and financial management report.	• 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. • The Council has an established induction and training programme for existing and new Councillors. This process includes mentoring and training events as and when identified.	• Defined standards of customer service backed by a complaints procedure. • Strategy for encouraging stakeholder involvement.
• An active Corporate Governance Group which takes charge of the Annual Governance Statement.					