



Annual Governance Statement

1. Scope of responsibility

The London Borough of Lewisham (Lewisham) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It must make certain that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Lewisham 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.

In discharging this overall responsibility, Lewisham is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Lewisham has approved and adopted a [Local Code of Corporate Governance](#), which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*.

This Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation 4(2) of the *Accounts and Audit Regulations 2003* as amended by the *Accounts and Audit (Amendment) (England) Regulations 2006* in relation to the publication of a statement on internal control.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled. The framework also governs the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 risk 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

ongoing process designed to identify and prioritise the risks to the achievement of Lewisham's policies, aims and objectives. It then evaluates the likelihood of those risks being realised and the impact should they be realised, and seeks to manage them efficiently, effectively and economically.

The governance framework has been in place at Lewisham for the year ended 31 March 2010 and up to the date of approval of the annual governance statement and statement of accounts.

A summary of the governance framework

Lewisham's directly elected Mayor ensures the Council has a clear strategic direction and effective leadership. The Council benefits from the perspectives and contributions of 54 Councillors. The Council's Constitution clearly defines the roles of Members and Officers, and this clarity contributes to effective working relationships across the Council.

The Local Code of Corporate Governance and well developed Codes of Conduct for Members and Officers demand the highest standards of ethical behaviour. These are reviewed regularly and are communicated widely.

Financial decisions are tied to corporate priorities. The management of risk is handled at a corporate and directorate level and is overseen by an independently chaired Internal Control Board. The involvement and contribution made by the Constitution Working Party, the Standards Committee and the Audit Panel to provide a check on the Council's governance arrangements represent constructive and informative tools to ensure the robustness of the Council's arrangements.

The Council seeks to pursue its overall vision for the area as established with the Lewisham Strategic Partnership (LSP), following extensive consultation with the community, through a decision making process that is open, transparent and inspires confidence in local government. This process is well documented in the Council's Constitution and is put into practice.

In the Annual Audit letter of 2009, the Audit Commission concluded that an area of excellent performance was "*the way the Council promotes and demonstrates the principles and values of good governance*".

3. Elements of the governance framework

a) Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

The long-standing vision of the Council is: *Together, we will make Lewisham the best place in London to live, work and learn*. This was agreed following extensive consultation and adopted by the LSP as the vision statement for Lewisham's first Community Strategy, launched in 2003. This joint vision is promoted on the

Lewisham website and in Council strategies, which are also published on the website.

In 2008 the LSP published “*Shaping our future: Lewisham’s Sustainable Community Strategy (SCS) 2008-2020*” in line with the recommendations of the Local Government White Paper, *Strong and Prosperous Communities* (2006) and provides the framework for Lewisham’s second generation Local Area Agreement (LAA) 2008-2011. The development of the SCS was informed by an extensive programme of consultation, which identified resident’s aspirations for Lewisham, and which ensured that those views fed into the six key outcomes for the borough the SCS sets out to achieve.

This development approach was endorsed by the Audit Commission, when they concluded in their 2009 Area Assessment that “*Lewisham’s local strategic partnership understands the issues of concern to residents very well. Their main priorities reflect local people’s needs and wishes clearly*”.

The Council has an enduring set of 10 corporate priorities and in 2008 published and communicated widely a new Corporate Strategy (2008-11) which sets out how the organisation will contribute to the delivery of the SCS. The Corporate Strategy is reviewed every year through the Annual Report and is also supplemented by the Monthly Management Report.

b) Reviewing the authority’s vision and its implications for the authority’s governance arrangements

The Lewisham Strategic Partnership is led by the LSP board which is chaired by Lewisham’s directly-elected Mayor. A series of thematic partnerships work with the LSP board, each concentrating on a specific set of cross-cutting policy issues. The thematic partnerships bring together the relevant organisations and individuals to determine appropriate interventions and to ensure that joint-working results in the best possible outcomes. The LSP board and thematic partnership boards have re-aligned their focus around the six key outcomes set out in the SCS. The plans which relate to the thematic boards, such as the Children and Young People’s Plan, are monitored on a regular basis. The monitoring of such plans feeds up to the LSP board and into the wider monitoring of the new SCS. Summaries of how the LSP is delivering against its six key outcomes are updated quarterly and are publicly available on the LSP website.

When the SCS was reviewed the Council assessed the implications of change for the Council’s governance arrangements through the review of the Local Code of Corporate Governance at the Standards Committee (10th May 2007) and at Council (23rd May 2007). Further reviews of the Local Code have taken place in 2008 and in 2009. The review of 2009 (reported to Standards Committee on 5th May 2009) recommended that the Local Code be extended to include a new requirement – in the light of new CIPFA guidance and the Council’s extensive partnership arrangements – to ensure effective partnership governance and risk management.

Further to this, on an ongoing basis, the work of the Constitution Working Party and the Internal Control Board addresses governance issues arising out of the Council's vision for the area. In its 2007 Direction of Travel statement, the Audit Commission noted that, in Lewisham, 'robust corporate governance arrangements continue to operate'. In their feedback following the 2008 'Use of Resources' assessment the Audit Commission found 'excellent arrangements around ethical governance'. As a result the Audit Commission nominated the Council as an example of 'notable practice' – for other local authorities to follow – in the field of developing arrangements to secure ethical governance. And during a study of social responsibility and community cohesion in 2009, OfSTED found "a clear vision which focuses strongly on outcomes."

c) Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources.

Lewisham has a successful record in this area, which was recognised in the 2009 Corporate Assessment with a score of 3 out of 4 for performance management.

The LAA is an excellent example of how the Council and its partners have put in place sustainable systems to progress towards our vision to make Lewisham the best place in London to live, work and learn. Quarterly performance reports are reviewed at the thematic partnership boards and half yearly reports are presented to the LSP. These reports profile performance by exception and direction of travel and are publicly available on the LSP website.

A review of the Performance Management Framework takes place annually, to ensure continuous improvement. The Performance Management Framework allows for robust and structured target setting against national requirements and local priorities. It also allows the Council, its partners and residents to monitor and measure the Council's effectiveness against these national and local performance indicators.

We have excellent reporting and governance arrangements in place to secure continuous improvement. We support these with reports that are recognised as notable practice, and we facilitate the delivery of these reports with our Performance Management tool P+, which is also recognised as good practice.

Our Monthly Management Report is the centrepiece of our performance reporting structure. It provides a clear and easy to read analysis of our performance against a basket of 84 indicators including National Indicators and local measures, and also includes an executive summary to direct attention to areas of strong performance as well as areas requiring greater management attention. It is presented monthly to the Executive Management Team and quarterly to Mayor's briefing and to the Mayor and Cabinet.

The Monthly Management Report utilises exception reporting to focus attention on key areas: exception reporting for red Projects, Risk and Finance and Red and Green exception reporting for performance. By combining these four areas for each of our corporate priorities, it functions as the critical tool for supporting decisions across the organisation. While examining this report, the Executive Management Team, Mayor and Cabinet and Public Accounts Select Committee challenge all aspects of performance. The report is also published on the Council's website, and so is accessible to members of the general public.

The quality of services for users is also measured through satisfaction surveys and information from the complaints management and resolution process. The Council's complaints procedure is published on the web and has been publicised, through the Council's monthly newsletter – "Lewisham Life" - to all residents of the borough. The Council has continued to improve its complaints procedure. A revised complaints management system – iCasework – was implemented across the Council on 30 June 2008 and allows for the monitoring and review of intelligence on the resolution of complaints. In combination with bespoke complaints handling training courses, this ensures that the Council learns from complaints. The Head of Public Services reports annually to the Standards Committee with an update on complaints handling, and performance in this area is also reviewed annually by both Mayor and Cabinet and the Public Account Select Committee.

Value for Money (VfM) is integral to Council operations, and the budget strategy is predicated on ensuring that the council is delivering good VfM. The Chief Executive's Efficiency Board (CEEB) provides strategic oversight for the Value for Money agenda. The Efficiency Programme Board (EPB) sits under that body and provides an organisational steer on the planning and monitoring of the efficiencies, and the measurement and improvement of VfM provided by the Council's services. It also oversees the efficiency programme which has contributed to efficiency savings in the Council's operations of some £33.3m between 2004/05 and 2008/09.

The EPB oversees the annual compilation and analysis of a set of cost and performance indicators that in combination provide a comparative assessment of the efficiency of service provision across the Council. A series of unit cost indicators have also been developed and agreed at EPB, and these have been included in updated guidance for the creation of service plans for the 2010/11 municipal year. The Council is also working with Capital Ambition to assist in the development of a set of efficiency metrics that will allow all London Boroughs to benchmark their costs and to drive efficiencies. It is anticipated that these metrics will be available by Summer 2010.

The Council is responsive to external challenge and assessment, and seeks to ensure that structures exist to respond to the recommendations made during those assessments. To that end, the "Significant Governance Issues" action plan appended to this statement makes specific reference to the Audit Commission's recommendations in their Annual Audit Letter of 2009. Actions relating to pension

liabilities, internal control systems and international financial reporting standards, have been included in the action plan and the delivery of those will be monitored during the year by the Internal Control Board.

d) Defining and documenting the roles and responsibilities of the Executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution sets out the roles and responsibilities of the Mayor, Chair of Council, the Council as a whole, the Executive, Overview and Scrutiny committees, Standards Committees and other committees.

Members follow the required formal procedures when making Council decisions, which ensure that such decisions are made transparently and openly. There is an annual programme of regular meetings whereby formal decisions are taken. Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal or prejudicial interest.

Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. Decisions are taken in accordance with the general principles of administrative law and on the basis of professional advice at all times. Minutes are published and made widely available through the Lewisham website. All Executive decisions are subject to review by Overview and Scrutiny business panel and may be called-in in accordance with the Council's Constitution. Examples of the matters referred to the Mayor for reconsideration in accordance with the call in procedure include the transfer of Building Services to Lewisham Homes in July 2008.

The highest standards of ethical conduct are adhered to in order to avoid actual, potential and perceived conflicts of interest. The principles of decision making appear as Article 16 within the Constitution (p73). Standards Committee receives a report on Member compliance with the Code of Conduct, a process which was recognised as 'notable practice' by the Audit Commission in the 2007/08 Use of Resources audit.

In achieving accreditation under the London Member Development Charter in 2007/08, the Council has agreed a range of role descriptors for members according to the role they fulfil (e.g. executive/community representative/overview and scrutiny etc) and has put in place a personal development scheme to enhance member capability in those roles. Officers support all Members in the performance of their various roles and this is detailed in the Constitution. The roles of the statutory officers are also set out at Article 14 of the Constitution (p67) and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII (p322).

e) Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Council adopted an amended Member Code of Conduct in July 2007 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V (p216). It appears on the Council's website, on the intranet and is well publicised. A comprehensive training programme on the Codes of Conduct is delivered by the Head of Law (Monitoring Officer) on an on-going basis for all members of the Council.

Monitoring Officer advice is regularly sought by members in relation to potential Code of Conduct issues. The Standards Committee was consulted on changes to the Member Code in November 2009, and also reviewed member compliance.

The Council has in place an Employee Code of Conduct which complies with all legal requirements and is appended to the Constitution at Part V (p287). The purpose and content of the Employee Code of Conduct is communicated frequently and widely (e.g. officer training, June 2009).

The Audit Commission, in their 2009 Annual Audit Letter found "*members and officers have a strong, unified understanding of their roles and the Council's vision and this has led to a range of excellent outcomes...including a high level of awareness of ethical standards.*"

f) Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

Reviewing and updating standing orders, standing financial instructions

The Council's Financial Regulations, Financial Procedures and Directorates' Scheme of Delegation, are regularly updated and communicated to all relevant staff and are available on the Council's intranet. The Financial Regulations were updated in July 2009 and Schemes of Delegation were updated in November 2009. The Financial Procedures were updated and agreed in March 2010. The Council's procedure rules, of which Standing Orders are a part, are reviewed alongside the Constitution; the Constitution is reviewed on a regular basis.

Alongside this, the financial awareness rolling training programme for budget holders will continue in 2010/11 and beyond, to ensure that all budget holders have the necessary skills required to manage budgets effectively.

Scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken

The Constitution is very clear about the decision making process. It requires that Members follow formal procedures when making Council decisions, which ensures that such decisions are made transparently and openly. There is an annual

programme of regular meetings whereby formal decisions are taken. Committee reports are produced by officers in a standard format to ensure that authors address all significant considerations such as the legal and financial implications of decisions, equalities issues, environmental issues and risk assessment. Every committee agenda includes as a standard item a section on declarations of interest by committee members which sets out the legal position in relation to the need to declare, and on occasion, withdraw from discussion of matters where the member has a personal or prejudicial interest. The principles of decision making appear as Article 16 within the Constitution (p73). There is a well embedded agenda planning process and a requirement for reports to be signed off by senior officers. Decisions are taken in accordance with the Council and Mayoral scheme of delegation as appropriate and these schemes are maintained, kept up to date and made available to the public as detailed within the Constitution. The Constitution requires Executive decisions to be published within two working days of being taken, and sent to all Members of the Council where possible by electronic means. Minutes are published and made publicly available on the Lewisham website. All Executive decisions may be called-in by the Overview and Scrutiny Business Panel in accordance with the Council's Constitution.

The Constitution provides for the Council to have a Constitution Working Party (CWP) to advise it on the operation of its constitutional arrangements. In practice, the procedure rules set out in the Constitution are under constant review to reflect changing needs. In March 2009 the Constitution Working Party reviewed the operation of the constitution in its entirety, including the provisions of the Local Government and Public Involvement in Health Act 2007. This review was reported to Full Council in April 2009 and led to the amendment of the Constitution to reflect the 2007 Act. Amendments to the Constitution as a result of the Crime & Disorder Act were also reported to Full Council in June 2009.

The processes and controls required to manage risks

There is a robust framework in place to manage risks. All services must now include a comprehensive risk register within service plans. Risk registers are monitored quarterly at directorate level. Key risks within the directorate and corporate risk registers are subject to quarterly review by the Risk Management Working Party and also the Internal Control Board, which has operated since early in 2004. The Internal Control Board is chaired by an independent 'non executive' person (Bill Roots, a former London local authority Chief Executive) and comprises the Executive Management Team, Head of Law (Monitoring Officer), Head of Audit and Risk and Group Manager for Insurance and Risk. Risks are updated quarterly and are tracked through the monthly management report which summarises key risks. The Risk Management Strategy is reviewed on an annual basis, updated when necessary, and is agreed by the Internal Control Board and by the members through the Audit Panel and Mayor and Cabinet. The Risk Management strategy has been revised to include a section on partnership risk and to reflect the use of Performance Plus as a key tool for the management of risk. This system has been rolled out at service level to embed the management of risk at all levels of the organisation. RSM Tenon, the

Council's internal audit contractor, carried out a risk maturity review in 2009/10 and have assessed the Council as being a 'risk managed' organisation (level 4), the second highest category on a scale of 1 to 5.

Risk management is embedded within the Council's approach to programme and project management. Project risks are regularly reviewed by Project Review Groups and Corporate Project Board. Risks for the whole capital programme are reviewed and updated quarterly. Members are involved in scrutinising risks with updates of the Capital Programme considered regularly by Public Accounts Select Committee and reported to Mayor & Cabinet.

In the Annual Audit Letter 2009, the Audit Commission concluded they were '*satisfied that Internal Audit has continued to improve this year and assessed that all CIPFA's standards for internal audit had been met.*'

g) Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities

The Audit Panel is made up of six elected members and three independent advisors (1 vacancy) and meets at least quarterly. A key role of the panel is to review and comment on the strategy, plans and resources of Internal Audit. Internal Audit update reports are received by the panel on a quarterly basis, summarising the audit reports issued, management's progress on implementing internal audit recommendations, and the performance of the Internal Audit function. Update reports on the activities of the Anti-fraud and Corruption Team are also received by the panel on a quarterly basis. The panel receive the annual report of the Council's Head of Audit and Risk.

The panel consider and monitor the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. In terms of external assurance, the panel consider the external auditor's Annual Plan, other relevant external reports and reports to members. The panel monitors management action in response to issues raised by internal and external audit, and significant issues identified by these are included in the action plan appended to this statement.

The panel also consider the Council's annual Statement of Accounts and this Statement and makes comments on those to the meeting of the Full Council that considers the accounts.

h) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. The Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT on corporate legislative developments (e.g. *Councillor Call for Action, Regulation of Investigatory Powers Act 2000, Local Democracy, Economic Development and Construction Act 2009, and Petitions*). Legal advice is incorporated in every report and advice on proper process is a regular feature of that. Where gaps

or non-compliance are identified, appropriate action is taken (e.g. in response to Freedom of Information compliance issues, alternative procedural arrangements were put in place to enhance performance). Reports do not proceed unless robust legal implications on all matters have been considered and are included in the report. Experienced professional legal staff are employed by the Council.

The financial management of the authority is conducted in accordance with financial regulations set out in the Constitution. The Council has designated the Executive Director of Resources as Chief Finance Officer in accordance with Section 151 of the *Local Government Act 1972* and to discharge the responsibilities under Section 114 of the *Local Government Act 1998* and Sections 25-28 of the *Local Government Act 2003* in relation to the Chief Financial Officer's statutory duties. The Chief Finance Officer advises on the proper administration of the Council's financial affairs, keeping proper financial records and maintaining effective systems of financial control. These duties are reflected in the job description of the Executive Director for Resources which are set out at Article 14 of the Constitution (p67). Financial implications are included in all committee reports and form an integral part of the information needed to aid the decision making process.

The Pensions Investment Committee has agreed a Governance Policy Statement which sets out how the Committee exercises its fiduciary duty to members of the Pension Fund. The Committee's governance arrangements include the appointment of an independent Custodian Bank responsible for the safe custody of the Fund's assets, the appointment of an independent investment advisor, independent actuary and investment consultant, Hymans Robertson. The Committee will review its Statement of Investment Principles in accordance with the CIPFA's Pensions Panel Principles of Investment decision making.

i) Whistle-blowing and procedures for receiving and investigating complaints from the public

The Council has a whistle-blowing policy in place which is widely publicised on the Council's website and in 'Lewisham Life'. Complaints made under this policy are handled by the Head of Law (Monitoring Officer) and an annual review is considered by the Standards Committee.

j) Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The overall aim of the Members' Development Programme is to ensure that all members have access to the training and development opportunities they need to fulfil their responsibilities to the local community and provide clear leadership and effective scrutiny of local Council functions. The 2009-10 personal development programme and general member development programme have both been completed and an initial induction programme for new Members has commenced following the local elections in May 2010.

The 2009 Annual Audit Letter by the Audit Commission found that *'the Council has an excellent training and development programme for members. This is recognised as best practice and feedback from members indicates the programme has helped them considerably in carrying out their roles.'*

The Head of Personnel and Development has responsibility for the development needs of senior officers. The Monitoring Officer also plays a key role in ensuring that senior officers are aware of their statutory duties and changes in legislation. At the start of the financial year the Chief Executive defines objectives for each of the Executive Directors. These are then cascaded to officers throughout the organisation through the Performance Evaluation Scheme.

k) Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

Lewisham has an open and outward facing culture that is clearly focussed on the needs of our residents and facilitated by an exceptionally strong and diverse approach to engagement and consultation. In response to the new Duty to Inform, Consult and Involve (which came into effect in April 2009), the Council has restated its commitment to actively engaging and involving residents in decision making and service design.

Internal structures for the management of communication and consultation were re-aligned in 2007/08. The Consultation and Communication Board has now been set up to provide a strategic steer on the communication and consultation agendas within the Council with the aim of co-ordinating, approving and reviewing communication and engagement activity, promoting best practice and allocating pooled funds for communication activity. Underneath this overarching board sits an operational steering group for consultation.

These arrangements are underpinned by the Council's Framework for Engagement that was published during the past financial year. This sets in place shared principles for engagement, which were also agreed at a partnership level through the Stronger Communities Partnership.

In support of this, and to provide increased channels through which citizens are engaged, the Council is currently promoting e-Participation by implementing a new online engagement system. This system also provides the platform through which citizens can set up and respond to e-petitions. Other channels of engagement include the 18 ward-level Area Assemblies which came into operation in 2008 and are open to anybody living or working in the ward, and the Young Citizens Panel which enables any young person aged 11-18 years either living or studying in the borough to join.

The Audit Commission awarded Lewisham a "green flag" for community engagement and empowerment of local people, in their 2009 Area Assessment. They concluded

that 'empowering and involving local people is at the heart of the way public sector partnerships work in Lewisham to improve the area as a place to live. Partners have an excellent track record of involving local people, including those who are less likely to be active in the local community.'

l) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

The Council acts in a number of partnerships with a view to improving the quality of life for local people. These partnerships take a variety of forms, from large scale contracting, as in the case of the Building Schools for the Future programme, to strategic alliances such as the Lewisham Strategic Partnership (LSP). The Council has used the Audit Commission report on the governance of partnerships to provide a framework to assess its arrangements in relation to partnership working.

As a first stage in that process, the Head of Law (Monitoring Officer) conducted an exercise in relation to several of the most significant partnerships in the borough and reported those findings to the Internal Control Board in 2008. In February 2009, a detailed audit of all of the Council's major partnerships and contractual arrangements was reported to the EMT and to ICB. In response, EMT required all Directorates to consider partnership governance arrangements, and particularly the business continuity arrangements of those partnerships, as a standing item at Directorate Management Team meetings. In November 2009, the Chief Executive presented a paper to ICB which assessed the main risks to the partnerships within each of Lewisham's six Sustainable Community Strategy priority themes. This paper is to be discussed at each of the LSP Partnership Boards with the intention being to develop these risks and record them in risk registers.

Compliance with the Local Code of Corporate Governance was reviewed in April 2009 and was reported to Standards Committee on 5th May 2009. As part of that process, the Local Code was reviewed and the Standards Committee accepted a recommendation to extend the Code to include a provision to ensure that the Council has robust and effective mechanisms to ensure partnerships are effectively governed and that partnership risks are identified and managed.

In November 2009, Standards Committee considered a new "Standards in Partnership" protocol that has been developed by Standards for England. Adherence to this protocol is intended to ensure that the aims of the partnership can be fulfilled effectively and the public can have confidence in the operation of the partnership.

The Standing Committee made a recommendation to refer this partnership protocol to the LSP, where it was considered in December 2009. The LSP has an agreement to review its Terms of Reference and Code of Conduct in order to reflect the good practice set out in the new Standards for England partnership protocol.

4. Review of effectiveness

Lewisham 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 the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit and Risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The process by which the governance framework has been maintained and reviewed is widespread. It occurs throughout the year and at year end. On an ongoing basis, throughout the year, it has involved the following:

- Consideration by Internal Control Board of governance issues – including partnerships and internal audit reports.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which sets out his opinion on the Council's overall control environment.
- The Audit Panel receives the Internal Audit Strategy and Terms of Reference, which set the context within which more detailed plans can be developed. The Internal Audit Strategy is reviewed on an annual basis and updated when necessary. The updated strategy and Terms of Reference were formally approved by the Audit Panel in March 2010. The Audit Panel reports to the Public Accounts Select Committee twice per year.
- The Internal Audit Strategy underpins the internal audit planning process. The Head of Audit and Risk determines and prepares a plan of audit coverage to be achieved in the forthcoming year, based primarily on an assessment of the Council's risk profile. The plan is approved by the Audit Panel.
- Executive Management Team (EMT) consider a full range of governance issues throughout the year, including issues relating to the improvement of the Internal Audit Service. EMT scrutinise performance and risk regularly and ensure management action where necessary.
- The Standards Committee considered the efficiency of the Council's complaints handling system and the effectiveness of the Whistle Blowing Policy. In May 2009 it considered the review of the Council's Code of Corporate Governance, and in November 2009 it reviewed Member compliance with the Member Code of Conduct.
- The Independent Remuneration Panel made recommendations to the Council about the accountability and effectiveness of Members.

- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Constitution Working Party undertook a review of the Constitution in its entirety in March 2009 which led to amendments to the Constitution in line with the Local Government and Public Involvement Act 2007. It also considered the reviews undertaken by the Independent Remuneration Panel and referred those to Full Council.

At year end, the review of the effectiveness of the governance framework is conducted under the auspices of the Chief Executive by a team of officers consisting of:

- Kath Nicholson: Head of Law and Monitoring Officer
- Troy Robinson: Senior Education Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- Ray Gard: Head of Audit and Risk
- Stewart Snellgrove: Principal Policy Officer

The AGS working party have met regularly since March 2008. Officers have been drawn from across the council to represent key areas of expertise in governance and internal control matters. The terms of reference for the group are as follows:

- To provide expertise in the development of the AGS on governance and internal control matters
- To analyse CIPFA/SOLACE guidance in relation to the development of the Annual Governance Statement
- To collate evidence from across the organisation relating to CIPFA/SOLACE guidance
- To evaluate evidence collated and identify areas for action
- To compile an action plan of significant governance issues
- To develop the Annual Governance Statement to be incorporated in the Statement of Accounts on an annual basis
- To ensure that the AGS is signed off appropriately through the council's key control mechanisms: EMT, Standards Committee, Audit Panel, Internal Control Board and Full Council
- To review the Annual Governance Statement and arrangements for governance and internal control throughout the year

The process by which the governance provisions are reviewed at year end includes:

- The consideration by EMT on the 8th June 2010 of a draft Annual Governance Statement prepared by the team. Where any gaps have been identified in evidence gathering, these are addressed in the action plan outlined in Appendix 2. EMT also consider the outcome and action plans of external inspections and audit, using those to address any significant governance issues for the future.

- Preparation of the Accounts and the Head of Audit and Risk's Annual Report and consideration of these and the Annual Governance Statement by the Council's Audit Panel on 24th June 2010.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee on the 24th June 2010, with reference to CIPFA/Solace Guidance.
- Referral of the Annual Governance Statement to full Council with the Statement of Accounts, and advice from Audit Panel on the 30th June 2010.
- Sign off by the Chair of the Council and Chief Executive, once approved.

DRAFT

5. Significant governance issues

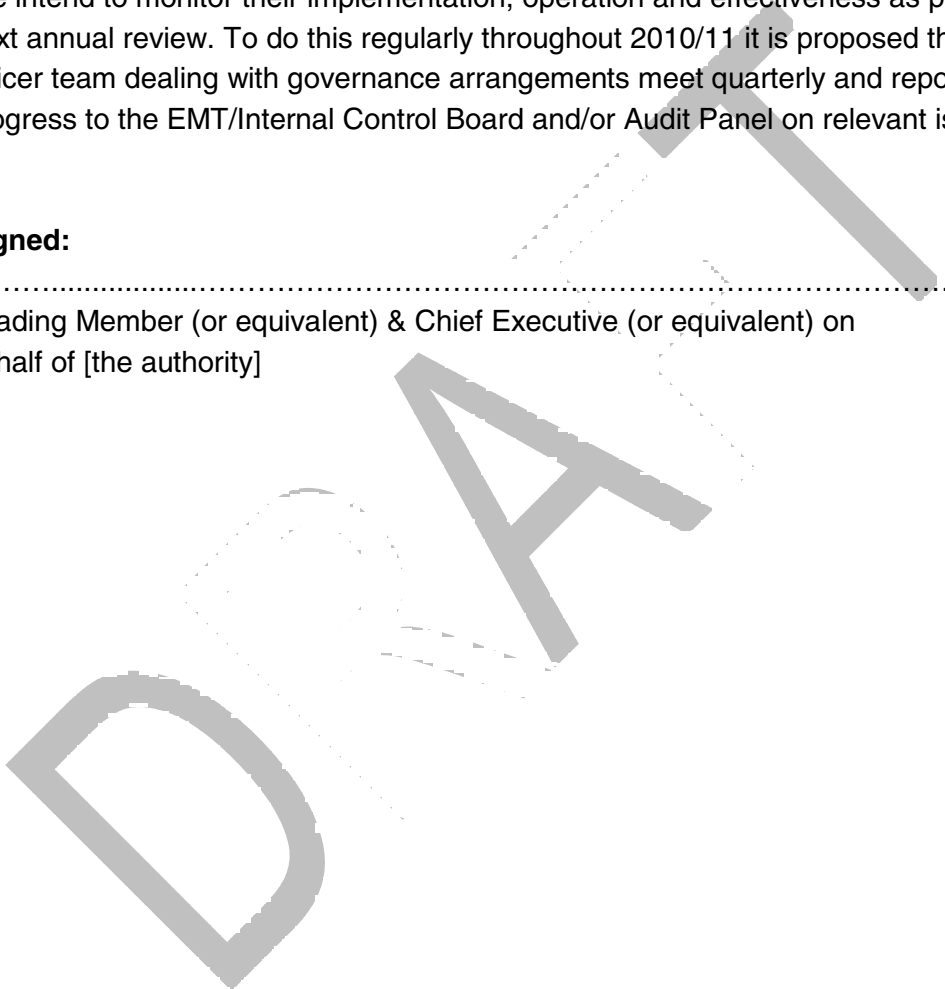
Actions taken to deal with governance issues during the course of 2009/10 are referred to at section 3 of this statement.

We propose over the coming year (2010/11) to take steps to address significant governance issues which have been identified through the annual review and through external assessment and inspection. These issues are set out at Annexe 1 along with the actions proposed to address the need for improvement.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2010/11 it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the EMT/Internal Control Board and/or Audit Panel on relevant issues.

Signed:

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Leading Member (or equivalent) & Chief Executive (or equivalent) on
behalf of [the authority]



Appendix 2

Significant Governance Issues - Action Plan 2010/11

Issue	Decent Homes Further reduce the gap between Lewisham and national expectations for the decent homes standard
Action	Continue to monitor progress in delivering the Housing Strategy action plan
AGS Criteria	Objective 1: Step 4, Point 4
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	A reduction in the gap between the proportion of homes in Lewisham that meet the Decent Homes Standard, and the proportion of homes that do so nationally
Timescales	March 2011
Lead Officer	Genevieve Macklin
Notes	<p>This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission in the 2008 Annual Audit Letter:</p> <p><i>"The Council needs to ensure that its strong partnerships and effective leadership lead to a step change in outcomes...it should concentrate in particular on further reducing the gaps between national expectations for educational outcomes, health inequalities and decent homes standards and those in Lewisham"</i></p> <p>The following status applies as of June 2010:</p> <p>Brockley PFI (Regenta B3) The PFI completed its Decent Homes Programme in April 2010 making all its properties 100% decent.</p> <p>Lewisham Homes (ALMO): The Audit Commission will begin its inspection of Lewisham Homes on 21st June 2010 for two weeks. The Council has been informed by the HCA they have committed £153.8m in ALMO credits to Lewisham Homes subject to them receiving a 2 star rating prior to April 2011. However, all spending commitments are dependent on the outcome of the next Comprehensive Spending Review.</p> <p>Stock Transfers:</p> <ul style="list-style-type: none"> - Phoenix Community Housing has been carrying out an elemental decent homes programme on all its properties. So far, over 3500 homes have received works, 3289 will meet Decent Homes by the end of 2010. - Grove Park transferred to L&Q in July 2008, which consisted of 1447 properties. 1025 properties achieved decency by March 2010. - Orchard Estate (Lewisham Road) & Village Court (Blackheath) transferred to Broomleigh in January 2009, which consisted of 134 properties. 100% decency has been achieved in Village Court. In January 2010, decent homes works started on Orchard Estate and it is anticipated these will be completed by 2011.

	<ul style="list-style-type: none"> - Lee (Newstead Road Estate and Leybridge Court) transferred to Broomleigh in October 2009, which consisted of 643 properties. Decent Homes works are scheduled to complete by 2012 with 181 properties being made decent by 2010. - In January 2010, the Council achieved 3 positive ballots for Forest Hill & Sydenham, Rushey Green and Catford (2400 tenanted properties) and anticipate these will transfer to L&Q in October 2010. L&Q will bring the properties up to standard by 2012 and the initial investment is £62m.
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Issue	Impact of the Recession Assess and monitor the impact of the recession
Action	<ol style="list-style-type: none"> 1) Assess and monitor the impact of the recession on the BSF, housing and town centre regeneration programme. 2) Assess and monitor the impact of tight financial allocations to Local Government
AGS Criteria	Objective 2
External Assurance Link	Annual Audit Letter 2010
Desired Outcomes	Accurate and timely monitoring of risks to delivery provides basis for well-informed decision making
Timescales	March 2011
Lead Officer	<ol style="list-style-type: none"> 1) Steve Gough 2) Conrad Hall
Notes	<p>1) This is an ongoing action from the 2009/10 action plan. It originated in the recommendations made by the Audit Commission in the 2008 Annual Audit Letter:</p> <p><i>"The Council needs to assess and monitor the impact of the economic downturn on demand-led services and its regeneration programmes, especially Building Schools for the Future, housing and the Lewisham Town Centre development project"</i></p> <p>The following status applies as of May 2010:</p> <p>Mayor & Cabinet has continued to agree action to help manage the impact of the Recession. On 20 January 2010 an allocation of £200k for temporary landscaping in Lewisham Town Centre was agreed to ensure that residents continue to visit the town and that demand for services and retail is maintained during the forthcoming programme of redevelopment. On 3 March the Mayor received a report from the Sustainable Development Select Committee following their review of the action taken to date.</p> <p>On 10 February 2010 the Mayor agreed the Capital Programme that included a risk assessment related to the Recession:</p> <p>"the risks to the programme have changed over the last 12 months. A year ago, the risks were the state of the housing market and the threat of high construction inflation. The risk of high construction inflation has receded, as the construction sector has been hit by the downturn in the housing market. The major risks to the current programme over the next three years are considered to be:</p>

- a prolonged and deep downturn in the housing market leading to delayed and/or reduced capital receipts
- contractor failure, delayed completion and cost overruns to major schemes
- inability to recruit and retain suitably experienced project managers”

The report summarised the work carried out:

“The risk assessment work on capital receipt generation during the year has effectively ameliorated the impact on the Capital Programme, should these receipts not be realised as early as anticipated. This should enable the Council to wait until the market improves. However, a prolonged and deep downturn in the housing market could require the Council to ‘land bank’ sites for longer than is desirable or accept a lower than anticipated disposal price

Finally, the Council has seized on an opportunity that has arisen as a result of the Recession, to acquire Catford Shopping Centre. In February 2010 the Council acquired the freehold as this provided a sound commercial proposition for the Council and a long term regeneration opportunity.

2) On the 23rd May 2010, the Chancellor of the Exchequer announced £6.2bn of public sector spending cuts. This announcement precedes the full budget scheduled for the 22nd June 2010, and identified areas in which the Government will make immediate savings. The key point in this announcement for Local Government was that there would be a reduction of £1,165bn in individual grants. The impact of these tight financial allocations to Local Government need to be monitored and assessed throughout 2010/11.

Issue	Health & Safety Compliance with and accreditation to appropriate standards of health and safety
Action	To identify the appropriate standard to which the Council should be accredited for health and safety. To achieve compliance and accreditation with that standard.
AGS Criteria	Objective 3: Step 1, Point 13
External Assurance Link	Accrediting Body, as appropriate
Desired Outcomes	All Directorates to be compliant to the appropriate standard of health and safety for the Council.
Timescales	June 2010
Lead Officer	Ray Gard / Andrew Bickerstaffe / Executive Directors
Notes	This is an ongoing action from the 2009/10 action plan. The following status applies as of June 2010: RSM Tenon are auditing the Council's health and safety system to ensure that risks are being effectively managed, and reduced where necessary. Customer Services and Community Services Directorate have now moved to the stage of auditing the health and safety management in different service areas. The reports and recommendations of the completed audits have been sent to the relevant managers for implementation. The audit programme will be extended into other service areas and dates

have been agreed for June and July 2010. In the Regeneration Directorate base line audits will be completed in 19 services areas to assess the improvements that have been achieved since the implementation of the health and safety system. The audits in the Resources Directorate will then be completed in Autumn 2010.

The Children and Young People's Directorate working party continue to progress the implementation of their health and safety management system. The policies and procedures have been revised and are awaiting final clearance prior to being loaded onto the directorates intranet site by the end of June 2010.

Issue	The housing service [including homelessness] Reduce the numbers of people in temporary accommodation.
Action	Put in place robust systems for the management of homeless applications and the allocation of temporary accommodation, reduce the number of people in temporary accommodation.
AGS Criteria	Objective 3: Step 1
External Assurance Link	National Indicator 156
Desired Outcomes	Reduce the number of people in temporary accommodation to 877 by December 2010.
Timescales	December 2010
Lead Officer	Lesley Seary
Notes	<p>This is an ongoing action from the 2009/10 action plan. The following status applies as of June 2010:</p> <p>In line with the TA reduction plan agreed with the CLG, in 2008/09, the numbers of households in temporary accommodation reduced by 696, the third largest drop in London. In percentage terms at 28% the reduction was the 6th most improved. (P1E return – Q1 2008 & Q1 2009 (March). This trend has been sustained with the numbers in temporary accommodation reducing by a further 566 between April 2009 and March 2010. The 1242 households in temporary accommodation at the end of March was below the target set out in the TA reduction plan agreed with CLG. The latest figure shows 1153 households in temporary accommodation as at the end of April 2010. This exceeded the target in our TA reduction plan by 61.</p> <p>Housing Needs Managers continue to work to the temporary accommodation reduction plan, maximising offers to homeless households, reducing applications by doing more prevention work, making quick decisions on casework and increasing the supply of private sector landlords and Rent Incentive Scheme. This increases the options available to households in temporary accommodation.</p> <p>To reach the CLG figure of 877 by December the monthly reduction required stands at 35 and we are confident this will be achieved. To support this the Housing Allocations Policy has been reviewed and approved by Mayor & Cabinet, and the Annual Borough Lettings Plan requires that 60% of the lettings of properties that become available be designated for homeless households. A combination of these factors, along with affordable housing supply to meet housing need, will help to meet the target.</p>

Issue	Business Continuity Management Strengthen the Council's business continuity arrangements.
Action	The Emergency Planning / Business Continuity Manager, and Directorate business continuity leads to implement the recommendations contained in the audit report by Kiln House Associates Ltd dated 12 May 2010.
AGS Criteria	Objective 3: Step 1, Point 1
External Assurance Link	Procedures to be reviewed by the Council's Internal Auditors, RSM Tenon.
Desired Outcomes	Robust business continuity arrangements established and their effectiveness tested on a regular basis.
Timescales	March 2011
Lead Officer	Malcolm J Smith / Ralph Wilkinson
Notes	<p>This action originated from the draft business continuity management audit report produced by Kiln House Associates Ltd which assesses the Council's Business Continuity arrangements against the requirements of BS25999.</p> <p>Kiln House Associates Ltd have stated that the Council can take limited assurance that the Business Continuity Management system as currently set out is effective, and can take limited assurance that the implementation of the enhancements to the current system are effective. The report author has made a number of recommendations relating to the enhancement of Business Continuity and the Council is in the process of implementing these.</p> <p>The Council has made significant steps towards the implementation of a robust Business Continuity system for the Council, but there is still further work to complete the process.</p> <p>The following status applies to this action as of June 2010: Work in progress and is being regularly reviewed by the Business Continuity Coordinators Group which is chaired by Malcolm Smith. Next review meeting is on 21 September 2010 with a full scale exercise on the 30 November 2010.</p>

Issue	Ongoing review of the Annual Governance Statement
Action	<p>The AGS working party will continue to meet on a regular basis through 2010/11 to review progress against the Annual Governance Statement Action Plan.</p> <p>Reports on progress will be submitted to EMT and ICB as appropriate</p>
AGS Criteria	Objective 5,6,7,8
External Assurance Link	
Desired Outcomes	The AGS working party act as an effective body to ensure the ongoing review and improvement of governance arrangements.
Timescales	Quarterly meetings in 2010/11; reporting to EMT and ICB as required
Lead Officer	Kath Nicholson, Ray Gard, Barrie Neal
Notes	The AGS working group will continue to meet during 2010/11. It will consider progress with this action plan and will report to EMT and ICB as appropriate. It will also be responsible for updating and reporting the 2010/11 Annual Governance Statement in line with required timescales.