



Draft Annual Governance Statement 2011/12

[Submitted to the Audit Panel as Appendix 3 and 4 of the Draft Unaudited Statement of Accounts]

20th June 2012

1. Introduction

- 1.1 The Council is required to produce an Annual Governance Statement (AGS) as an integral part of the Statement of Accounts. An AGS was first produced to accompany the 2007/08 accounts. This is updated annually, and has now been amended to reflect changes during 2011/12.
- 1.2 After the AGS has been approved, it will be included in the pre-audit Statement of Accounts along with the AGS Action Plan (which will be included as an Appendix). The Annual Governance Statement remains draft until it is signed off by Full Council in September as part of the Audited Statement of Accounts.
- 1.3 This year a new action plan has been developed following the decision taken by the Internal Control Board (ICB) in March 2012.

2. Recommendations

2.1 Audit Panel are asked to:

- Note the draft AGS 2011/12 (appendix 1) and the 2012/13 action plan (appendix 2) and recommend changes as appropriate.

Draft 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*.

The Annual Governance Statement (AGS) explains how the authority has complied with the code and also meets the requirements of regulation the *Accounts and Audit (England) Regulations 2011* 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 or failure to achieve aims and objectives or compliance with policies 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 2012 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's overall vision for the area is shared by its key partners on the Lewisham Strategic Partnership (LSP) and was developed following extensive consultation with the community.

The Annual Audit letter of 2009/10, issued by the Audit Commission's appointed auditor concluded that the Council was considered to have '*strong governance arrangements in place*' and '*effective risk management systems which are well integrated across the whole of the council and includes partnership working*'.

In December 2010, the Government introduced the Localism Bill (now the Localism Act) into Parliament. The Head of Law provided an all party briefing on the Act, and also provided a briefing to the Standards Committee on 1st March 2012. Briefings on the Localism Act have also been provided to the Mayor and Cabinet, the Executive Management Team and Heads of Service. The Head of Law has also provided training to staff in specific services such Planning and Housing, where the Localism Act could have a significant impact.

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). 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. The corporate priorities set out how the organisation will contribute to the delivery of the SCS. Performance against the corporate priorities is reviewed every year through the Annual Report and is also supplemented by the Monthly Management Report.

Details relating to the Council’s vision, values and priorities are contained on the Lewisham online. This ensures that members of the public, citizens and service users are able to hold the Council to account.

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 for citizens and service users. 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, are monitored on a regular basis. The monitoring of such plans feeds up to the LSP board and into the wider monitoring of the SCS.

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, 2009, 2010, 2011 and is ongoing for 2012. 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.

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.

In the 2010/11 [Annual Audit Letter](#) the Audit Commission concluded that: ‘*The Council challenges the way activities are delivered and explores new ways of delivering activities. The Council has good arrangements to monitor efficiency savings and the impact on service quality and provision. It uses the Performance Plus performance monitoring system to monitor*

performance. Cabinet and the senior management team monitor the impact of the savings via regular budget monitoring reports.'

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.

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 59 indicators including former 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 produced entirely from the Performance Plus (P+) system and 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.

In March 2012, following a review of the Council's performance management system, our internal auditor RSM Tenon reported that: 'Taking account of the issues identified, in our opinion the Council can take Substantial Assurance that the controls are relied on to manage this area, as currently laid down and operated, are effective.'

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 quarterly newsletter – "Lewisham Life" - to all residents of the borough. The Council has taken active steps to improve its complaints procedure and continues to use the Council's complaints management system, iCasework, to record complaints and feedback. The Council's website has been updated to provide comprehensive information relating to complaints. This also includes a fact sheet about the role of the Independent Adjudicator. The Head of Strategy and Performance for Customer Services reports annually to the Standards Committee with an update on complaints, complaints performance is considered annually by Mayor and Cabinet and the Public Account Select Committee. Further reports are considered monthly at Directorate Management Team level and quarterly at Executive Management Team and in the Council's Management Report.

Value for Money (VfM) is integral to Council operations, and the budget strategy is predicated on ensuring that the Council is delivering good VfM. A Budget Saving Strategy Group is in place and provides a focus on securing budget savings (whether this be via improving efficiency, or by the thematic review and re-design of services or by budget cuts or service cessations). The

group was created to focus on delivering the revenue budget savings which would be needed to ensure the success of the Budget Strategy.

The Group comprises, Heads of Strategy and Performance and Group Finance Managers, plus a representative from Human Resources and Legal Services. The Group has the remit to review and act as a sounding board for the Budget Strategy, savings process, saving proposals and the mechanics for ensuring the Council has a smooth process for delivering savings. The Group is also responsible for annually reviewing the existing process and suggesting ways to improve it.

In addition to this, the Council is continuing to develop its approach to value for money through its participation in the Local Authority Performance System (LAPS). The LAPS tool enables London local authorities to benchmark costs and performance and develop VFM profiles across a range of service areas.

In the 2010/11 [Annual Audit Letter](#) the Audit Commission concluded that:

'The Council has prioritised its resources within tighter budgets and has secured economy, efficiency and effectiveness, for example by achieving cost reductions and by improving efficiency and productivity.'

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 and/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. There was one matter called-in (referred to the Mayor for reconsideration), this was the prioritisation of transport schemes on June 1st 2011.

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. Each year the Standards Committee receives a report on Member

compliance with the Code of Conduct. In December 2011 the Standards Committee reported that there has been good compliance with the Member Code of Conduct. From the 1st July 2012 there will be a requirement for a new Code of Conduct, preparations have been made during 2011 and 2012 to brief members of the Standards Committee ahead of this, with the most recent briefing being given in March 2012.

In achieving accreditation under the London Member Development Charter in April 2008, the Council 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. In preparation for the 2012/13 Member needs development programme a training needs assessment was carried out. 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 and in detailed job descriptions. The Schemes of Delegation by both the Mayor and the Council are appended to the Constitution at Part VIII.

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 2010 to comply with new legal requirements. It complies with all statutory provisions and is appended to the Constitution at Part V. 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 members of the Council. A revised Member Code of Conduct will be in place by July 2012, the Head of Law has briefed members of the Standards Committee ahead of these changes.

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. They were also consulted on the review of compliance with the Members Code of Conduct in November 2010.

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. The purpose and content of the Employee Code of Conduct is communicated frequently and widely.

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, the Schemes of Delegation and the Financial Procedures were updated and published in November 2011. 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 2011/12 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 a crime and disorder 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.

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 2011/12 reports to Council have included a Parliamentary Boundary Review, a Polling District review, the creation of a Positive Ageing Council, and the confirmation of a statutory Scrutiny Officer. The Constitution has been updated to reflect these new responsibilities.

In October 2011 the Chief Executive, Barry Quirk, the Head of Law, Kath Nicholson and the Executive Director for Resources, Janet Senior provided training on decision making within the Local Authority. The training was delivered to Group Managers, Head of Services and other relevant staff who undertake decisions within the organisation.

Maintaining an adequate and effective system of internal audit

The Account and Audit (England) Regulations 2011, require the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control. The role of internal audit is to provide an independent and objective opinion on the

control environment within the Council. Internal audit work is undertaken in accordance with the CIPFA Internal Audit Code of Practice for Internal Audit in Local Authorities 2006 (the code).

The work of internal audit is set out in an annual internal audit plan that covers the key financial systems, schools, and the operational activities where Internal Audit and management perceive there are risks to achieving operational objectives. The work of internal audit also supports the work of the Council's External Auditor who reviews our work in detail to satisfy themselves the work of internal audit can be relied upon.

The Council's governance, risk and control management arrangements are subject to annual independent review by the Audit Commission, the Council's external auditors.

In order to provide assurance on our risk management framework, a 'risk maturity thematic review' of risk management across the Council was again commissioned from our internal audit service providers, which reported in May 2012. The conclusion of the review is that the Council has maintained its 'managed' approach to risk, which is the second highest of their five potential categories for the assessment.

For each audit where controls have been analysed, Internal Audit issues an assurance statement which indicates the level of assurance that management can place on the adequacy and effectiveness of the internal controls. For 2011/12, four levels of assurance were used: Two positive levels, 'substantial' and 'adequate' assurance; and two negative levels, 'limited' and 'no assurance'. In each report Internal Audit may also make control improvement recommendations, rated High, Medium or Low.

For 2011/12 89 assurance reviews were undertaken. Of these, 79 have been concluded with an opinion on internal controls. There were 10% (7% in 2010/11) issued with a negative level of assurance (Limited or No Assurance), including two 'No Assurance' opinions. In respect of the 236 recommendations made in the year, 56% were High or Medium (63% in 2010/11).

The seventeen key financial systems are fundamental to the operation of the Council, so it is important that these systems have robust internal control mechanisms and operate effectively. The Head of Audit and Risk confirmed that, with one exception, all of these systems have been issued with a final assurance level for 2011/12 and that these are positive opinions (Substantial or Satisfactory). In all but three cases these systems have either maintained or improved their assurance level on 2010/11. Recommendations have been made to strengthen internal control for the three systems where the assurance opinion was lower this year than last - Council Tax, Payroll and Debtors. The internal control recommendations raised were in respect of compliance with controls, not the controls themselves. The audit of the Payments to Residential and the Domiciliary Care Service Providers system is still draft and further work is being undertaken with management based on an indicative limited assurance opinion for 2011/12. The recommendations made and arising will be addressed by management and followed-up by internal audit in 2012/13.

In the 2010/11 [Annual Audit Letter](#) the Audit Commission concluded that the Council: *'has robust systems and processes to manage effectively financial risks and opportunities and secure a stable financial position'*.

The processes and controls required to manage risks

The Accounts and Audit (England) Regulations 2011 highlight the Council's responsibility for ensuring it has in place a sound system of internal control which includes arrangements for the management of risk.

There is a robust risk strategy and framework, reviewed and updated in 2010/11, in place to manage risks. All services must maintain an operational risk register aligned to their service plan objectives. Risks are recorded and reported using the Council's main performance management system – Performance Plus. The risk registers record significant risks and score them in terms of impact and likelihood. Target scores are set and mitigation actions identified and monitored.

Directorate risk registers are considered in detail at least quarterly at Directorate Management Teams. Key risks within the directorate and corporate risk registers are then subject to quarterly reviews by the Risk Management Working Party and the Internal Control Board. 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 and mitigation actions taken.

The focus on risk in the Management Report was reviewed in 2011/12 to include a statement on the risk environment for each priority as well as the risks with a 'red' rating being reported. In addition, for both corporate and directorate risks any significant variances against target are reported.

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 addition for 2011/12 to support better decision making, with the significant savings proposals considered and agreed by members, specific attention was given to identifying, assessing the key risks for each proposal submitted as part of the budget setting process.

RSM Tenon, the Council's independent internal audit contractor, carried out an annual risk maturity review (which reported in May 2011) and has assessed the Council as maintaining its 'managed' approach to risk.

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 up to four independent advisors 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 which contribute to the level of assurance. 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, Members and relevant staff on corporate legislative developments. In 2012, the Head of Law briefed EMT, Members and relevant staff on the Localism Act and the possible impact that it could have on the organisation. The Head of Law has also briefed EMT, Members and relevant staff on the Bribery Act 2010, which came into force on 1st July 2011.

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. 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). An annual review is considered by the Standards Committee (this most recently happened in March 2012).

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. For 2011-12 a general member development programme has been completed. This comprised member briefings, specific training events and targeted support as appropriate.

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.

The Council's engagement activity is overseen by the Strategy Performance and Communications Board. The Board operates at Executive Director level and provides a strategic steer on the communication and consultation agendas within the Council. It is supported by its subsidiary, the Consultation Steering Group, which draws representation from across the Council and supports effective resident engagement at an operational level.

These arrangements are underpinned by the Council's Framework for Engagement (2009-2012). 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 continues to promote e-Participation by implementing a new online engagement system. This system provides the platform through which citizens can respond to online consultations as well as 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 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.

As part of the review of the Local Code in 2009 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 reviewed its Terms of Reference and Code of Conduct in 2010 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 risk registers, counter-fraud updates and internal audit reports.
- The Head of Audit and Risk prepares a rolling plan of audit coverage to be achieved in the forthcoming year, based in primarily on an assessment of the Council's risk profile. The plan is reviewed by the Internal Control Board.
- The Audit Panel receives the Internal Audit Strategy and approves the annual audit plan.
- The Audit Panel receives the annual assurance report from the Head of Audit & Risk which set out his opinion on the Council's overall control environment.
- The Audit Panel reports on its work to the Public Accounts Select Committee twice a year.
- 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 June 2011 it considered the review of the Council's Code of Corporate Governance, and in December 2011 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.
- An Executive Remuneration Panel was established and the Pay Policy Statement endorsed by full Council (March 2012).
- Consideration of external audit reports conducted in year by Mayor and Cabinet, Audit Panel and relevant Select Committees.
- Constitution Working Party considered the Ethical Framework (Localism Act 2011) and endorsed the retention of a formal Standards Committee.

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: Standards & Education Law Advisor
- Barrie Neal: Head of Corporate Policy and Governance
- David Austin: Interim Head of Audit and Risk
- Annabel Saunders: Principal Policy Officer
- Paul Aladenika: Head of Policy & Partnerships

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: Internal Control Board (including EMT members), Audit Panel 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 ICB (EMT members) on the 29th May 2012 of a draft Annual Governance Statement. This year no significant gaps or governance issues have been identified, as such the action plan outlined in Appendix 2 outlines instead significant areas of governance focus needed to maintain an effective governance framework.
- 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 20th June 2012.
- A review of the Council's Local Code of Corporate Governance by the Standards Committee on the 6th June 2012, 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 26th September 2012.
- Sign off by the Chair of the Council and Chief Executive, once approved.

5. Significant governance focus

In addition to the action taken to deal with governance during the course of 2011/12, as outlined in section 3 of this statement, we propose to take steps over the coming year (2012/13) to continue to maintain and improve governance within Lewisham. Appendix 2 outlines the areas of significant governance focus in Lewisham, as well as progress to date and next steps. These actions have been selected due to their importance in maintaining an effective governance framework and have been agreed by the Internal Control Board.

We intend to monitor their implementation, operation and effectiveness as part of our next annual review. To do this regularly throughout 2012/13 it is proposed that the officer team dealing with governance arrangements meet quarterly and report on progress to the Internal Control Board and/or Audit Panel on relevant issues.

Signed:

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

DRAFT

Appendix 4: Action Plan Update 2012/13

1. Governance Action:	Legislative Change – Ensure compliance with new and forthcoming legislation
Desired Outcomes	Lewisham is compliant with all legislation including new and forthcoming changes
Timescales	March 2013
Lead Officer	Troy Robinson
Notes	<p><u>Context & existing arrangements:</u> The duties of the Head of Law (Monitoring Officer) are defined in the Constitution. As part of these duties the Monitoring Officer attends Mayor and Cabinet and Full Council meetings and regularly briefs EMT, Members and relevant staff on corporate legislative developments. Legal advice is incorporated in every report and advice on proper process is a regular feature of that. 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 to support with this and wider legal matters.</p> <p><u>Progress to date:</u> Examples of progress over the past quarter include the following:</p> <ul style="list-style-type: none"> • briefings by the Head of Law have been done for all members, EMT, Service Heads and Legal Services on implications of the Localism Act 2011 with constitutional amendments being drafted; • reports to Standards Committee on the new ethical framework considered; • the Pay Policy Statement was agreed at full Council in March 2012; • evaluating the implications of the benefit changes; • the Healthier Communities Select Committee are received a briefing on the Health and Social Care Act 2012 in May 2012; • the Constitution Working Party met on the 6th June 2012 to consider constitutional amendments following the Localism Act 2011; • the Executive Management Team received a briefing on the implications of the Public Services (Social Value) Act 2012. Work is ongoing to incorporate the implications of the Act into the Procurement Strategy, and; • briefings and specific advice on Education Act 2011 and changes to school governance issues have been sent to the Children and Young People’s Directorate Management Team. The Standards & Education Law Advisor has also attended training for governors’ clerks. <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • consult as appropriate on suitable options to implement welfare reform; • submit a report to full Council in June 2012 to reflect new laws on the Member Code of Conduct once new Regulations are published, and; • review the Queen’s Speech implementation.

2. Governance Action	Procurement Strategy – Development and Implementation of an updated Procurement Strategy
Desired Outcomes	The Council is compliant with the revised procurement strategy including all new legislation
Timescales	December 2012
Lead Officer	Andy Murray
Notes	<p><u>Context & existing arrangements:</u></p> <p>The Procurement team works within European Union and UK legislation related to Public Procurement Regulations; and internally to Lewisham Council 's Contract Procedure Rules included within the Constitution. The Council's procurement function maintains a strategic overview of corporate procurement activity and ensures that contracts and purchasing arrangements are carried out in line with legal requirements and the Council's policies and procedures. The procurement function also:</p> <ul style="list-style-type: none"> • provides advice, guidance and training on all aspects of the Council's contractual procedures and contractual and purchasing arrangements including the review of draft committee reports, and; • undertakes contractor/service provider appraisals, tender evaluation and contract negotiations. <p><u>Progress to date:</u></p> <p>Early benchmarking research relating to the format and style of other Local Authority procurement strategies have been completed. An approach and structure has been agreed by the Director of Regeneration and Asset Management.</p> <p>Legal advice has been gained regarding new legislation that will be reflected within the revised strategy, this is namely the Localism Act 2011 and the Public Services (Social Value) Act 2012.</p> <p>The Procurement Team have been actively assisting client colleagues in meeting the Council's requirement to include social considerations in contracts, which has been achieved by the acceptance of paying the London Living Wage over an increased number of contracts. The Code of Practice for Contractors, Suppliers and Service Providers has also been amended to include the use of contracting activity to increase the number of apprenticeships, use of local labour and local businesses.</p> <p><u>Next steps:</u></p> <p>To produce an outline proposal for each section of the strategy by August 2012.</p>

3. Governance Action	Multi-agency Governance – Maintain effective multi-agency governance and partnership working
Desired Outcomes	Delivery of the priorities within the Sustainable Community Strategy (2008 -2020)
Timescales	March 2013
Lead Officer	Fenella Beckman
Notes	<p><u>Context & existing arrangements:</u> The Lewisham Strategic Partnership (LSP) brings together representatives from Lewisham’s public, private, voluntary and community sector organisations. The LSP Board coordinates partnership activity in Lewisham and brings together representatives from Lewisham’s public, private, voluntary and community sectors to set the overarching vision for the borough and to provide a partnership framework which will ensure that this vision is realised.</p> <p>The Shadow Health and Wellbeing Board is the most recently established thematic partnership having been formed in 2011 (ahead of statutory requirements to have this board in place by April 2013).</p> <p><u>Progress to date:</u> An LSP meeting was held in May 2012 to discuss the future role and work programme for the partnership.</p> <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • following the meeting in May, the Mayor has requested that a paper be drafted outlining the different options, relating to the future role and work programme of the LSP. This options paper will be used to agree any future changes to the partnership structure, and; • the formality of the Health and Wellbeing Board including terms of reference.

4.Governance Action:	Internal Control - Maintain robust risk management arrangements
Desired Outcomes	Foreseeable risks are anticipated with mitigations and controls in place and complied with to minimise the impact on service delivery and the wider Council (financial or reputational) in the event of a risk materialising.
Timescales	March 2013
Lead Officer	David Austin
Notes	<p><u>Context & existing arrangements:</u></p> <p>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 also provide a check on the Council's governance arrangements and risk mitigation. In addition to this the Council also has systems in place to manage business continuity, health and safety (H&S), anti-fraud and corruption and information management.</p> <p><u>Progress to date:</u></p> <p>In 2011/12 the actions for improvement identified at the Internal Control Board were implemented. This included strengthening the focus and reporting to Internal Control Board on risk and internal control matters, significant business continuity testing and preparation in advance of the Olympics, launch of a mandatory training programme in respect of information asset safeguarding, and preparations for strengthening compliance arrangements.</p> <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • deliver the full planned core systems and risk based (including lessons learnt from cases of fraud) internal audit programme for the financial year. • complete the refresh and re-launch of all H&S procedures online supported by a full year's H&S training programme to raise H&S awareness and skills. • testing of critical service business continuity arrangements with the lessons learnt from these being included in updated plans. • continue to strengthen the framework around information management by updating policies to meet requirements of Transparency Agenda and proposed Freedoms Bill, delivering training and monitoring compliance with good practice.

5. Governance Action:	Performance Management - Maintain effective and robust performance management arrangements
Desired Outcomes	Performance management arrangements are a robust and transparent indication of the Council's performance
Timescales	March 2013
Lead Officer	Barrie Neal
Notes	<p><u>Context & existing arrangements:</u> The monthly Management Report is the centrepiece of Lewisham's performance reporting structure. It provides performance analysis against a basket of 59 indicators including an executive summary to direct attention to areas of strong performance as well as areas requiring greater management attention. The management report is presented monthly to the Executive Management Team and quarterly to Mayor's briefing and Mayor & Cabinet. It is also available on the Council website.</p> <p>The Report brings together performance indicators, risk entities, finance data and information on major projects into one overarching document.</p> <p>The production of the monthly Management Report is supported by Directorate Management Teams, which convene performance meetings to directly monitor and address performance for which they are responsible.</p> <p><u>Progress to date:</u> Progress continues to be reported against individual and aggregate performance measures (by Council priorities).</p> <p>The Council is also inputting into the Local Authority Performance System (led by London Councils) and LG Inform (led by the Local Government Association) to inform decisions relating to local and national benchmarking.</p> <p><u>Next Steps:</u> Over the next year the performance management framework and the basket of indicators will be reviewed to ensure continuous improvement of arrangements.</p>

6. Governance Action	Ensure that the financial management of the Local Authority is conducted in accordance with the Council's statutory and financial obligations
Desired Outcomes	<ul style="list-style-type: none"> • improve the quality of auditable grant claims; • close the council's financial accounts on time, and; • accounts are produced on time and without significant issues arising from external audit.
Timescales	June 2012, October 2012 and December 2012 respectively
Lead Officer	Conrad Hall
Notes	<p><u>Context & existing arrangements:</u> 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. 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 and Regeneration which are set out at Article 14 of the Constitution. Financial implications are included in all committee reports and form an integral part of the information needed to aid the decision making process</p> <p>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.</p> <p><u>Progress to date:</u> Closing timetable prepared and significantly shorter than last year, allowing for extra focus on key risk areas. Training provided to all finance staff to enable them to understand audit requirements better and hence how to prepare improved working papers. Audit Commission invoices disputed where audit arrangements are not considered to represent value for money for Lewisham</p> <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • immediate focus is on closing accounts, and; • preparation of the 2013/14 budget.

7. Governance Action:	Business as usual - Maintain robust control over the business as usual during the economic downturn and public sector cuts
Desired Outcomes	Public welfare (social, economic and environmental wellbeing of the area)
Timescales	March 2013
Lead Officer	Annual Governance Statement Working Party
Notes	<p><u>Context & existing arrangements:</u> The Executive Management Team (EMT) continue to receive reports on the economic situation and it's impact on related areas including employment, housing and health. EMT are also addressing the demographic pressures on school rolls.</p> <p><u>Progress to date:</u> The Council is addressing issues of unemployment, the implementation of the Health and Social Care Act, housing needs and the significant increase in demand on school places through discrete initiatives relating to:</p> <ul style="list-style-type: none"> • apprenticeships – which has seen 152 young people benefit to date; • a comprehensive review of housing needs which has led to engagement with external advisors who are currently testing the feasibility of developing new structures to meet the borough's housing needs, and; • the preparation for the transfer of Public Health functions to the Council, the establishment of the Shadow Health and Wellbeing Board, the Clinical Commissioners Group Pathfinder and the successful Council/Lewisham LINK bid to become a Healthwatch Pathfinder, and; • ongoing pupil places planning in conjunction with schools has resulted in the enlargement of seven schools. Further temporary places have been secured through more flexible use of school buildings. Where accommodation needs to be added to existing school sites this has been procured through a Lewisham-led Framework agreement for the provision of modular buildings and building conversion. <p><u>Next steps:</u></p> <ul style="list-style-type: none"> • recruit for the 4th cohort of the apprenticeship program (starting October 2012); • develop a comprehensive NEETs strategy for 12-24 year olds; • Mayor and Cabinet will receive a report in July setting out the cost and benefits of various delivery options which may enable the Council to address existing sheltered housing problems, complete the decent homes programme and build up to 1000 new houses; • work is needed to progress the Health and Social Care Act and its implications to ensure appropriate arrangements are in place before April 2013. This includes: the transition of public health functions and staff to the Council; the Commissioning of a local Healthwatch organisation; establishing a statutory Health and Wellbeing Board and producing a Health and Wellbeing Strategy, and supporting the authorisation of Lewisham's Clinical Commissioning Group and; • to continue to carry out places planning in order to cater for the additional school places that will be needed.