Lambeth

London Borough of Lambeth Annual Governance Statement
2015/16

Introduction by Sean Harriss
Chief Executive

Good governance is about running things properly. It is the means by which the council shows it is taking decisions for the good of the people of our area in an equitable and open way. It recognises the standards of behaviour that support good decision-making, collective and individual integrity, openness and honesty. It is the foundation for the delivery of good quality services and fundamental to demonstrating that public money is well spent.

From the review and monitoring work undertaken, we have reached the opinion that governance and control improvements were achieved during 2015/16, but there is still a need for further improvements in 2016/17. A key focus for me is to continue to improve the organisation's effectiveness and governance through the continued development of officers and members, learning lessons from good and bad practice, and embedding a strong performance and risk management culture.

A number of measures have already been put in place which have strengthened governance and management oversight across the council, including the creation of Corporate Management Team (CMT) and Strategic Transformation Board (STB), and the implementation of our new approach to project and programme management. We will continue to build on our good practice to drive through improvements during 2016/17.

We confirm, to the best of our knowledge and belief, that this statement provides an accurate and fair view.

Sean Harriss
Chief Executive
Lambeth Council

What is Corporate Governance?

Corporate governance generally refers to the processes by which organisations are directed, controlled, led and held to account.

The council's governance arrangements aim to ensure that it sets and meets its objectives and responsibilities in a lawful, timely, open, inclusive and honest manner and that its public money and resources are safeguarded, properly accounted for and used economically, efficiently and effectively.

The council's governance framework comprises the systems, processes, cultures and values by which the council is directed and controlled, and through which it accounts to, engages with and leads the local community. The framework brings together an underlying set of legislative requirements, good practice principles and management processes.

The council 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 and conforms to the financial management arrangements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). A copy of the code can be found on the Lambeth website.

Local Code of Corporate Governance
The six core principles of the code can be found in boxes throughout this document.

How do we know our arrangements are working?

Lambeth Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. To monitor the effectiveness of the council's corporate governance systems, assurances on the governance framework as shown in the diagram below are provided to, and challenged by, committees or scrutiny panels as appropriate.

Each year we review the council's corporate governance processes, systems and the assurances on the Governance Framework, to create the Annual Governance Statement. This is achieved by undertaking a review of the council's compliance with its Code of Corporate Governance, consulting with the Corporate Leadership Teams, governance officers, and also reflecting on the work of internal and external audit and other inspection bodies completed during the year. The issues identified during the review are highlighted in the significant issues section at the end of this statement.

Looking forward it will be essential for all parts of the governance framework to make sure that the council's decision making and administration remain robust, transparent and subject to appropriate oversight and scrutiny

This Annual Governance Statement builds upon those of previous years and records any significant governance issues that need to be addressed over the coming year. It summarises the key governance framework which has been in place for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

These governance arrangements will be reviewed in 2016/17, and further improvements made if necessary.

Lambeth's Governance Framework

Assurance Required Upon
- Delivery of council's aims and objectives / Leadership direction
- Services are delivered economically, efficiently and effectively
- Management of risk
- Effectiveness of internal controls
- Democratic engagement and public accountability
- Budget and financial management arrangements
- Roles and responsibilities of Members and Officers
- Standards of conduct and behaviour
- Compliance with laws and regulations, internal policies and procedures
- Action plans dealing with significant issues are approved, actioned and reported upon

Source of Assurance
- Constitution (incl. statutory officers, scheme of delegation, financial management & procurement rules)
- Audit Committee
- Independent external sources
- Scrutiny function
- Council, Cabinet & Panels
- Cabinet Procurement Committee
- Medium Term Financial Plan
- Complaints system
- Internal & external audit
- HR policies & procedures
- Whistleblowing & other counter fraud arrangements
- Risk management framework
- Performance management system
- Performance Challenge sessions
- Codes of conduct
- Corporate Leadership Team
- Peer reviews

Assurances Received
- Statement of accounts
- External audit reports
- Internal audit reports
- Local Government Ombudsman report
- Electoral Commission report
- Report of the Independent Remuneration Panel
- Interception of Communications Commissioner (ICC) report
- Socitm (Society of Information Technology Management) reports
- Scrutiny reviews
- Annual Audit Committee and Scrutiny Committee reviews
- Effectiveness of Internal Audit review
- Review of Compliance with Code of Corporate Governance
- Performance reviews & appraisals
- Performance Challenge Sessions
- Management and member assurances

Areas to focus on
- Manage budgets and monitor achievement of savings
- Achieve effective transition in light of changes to structures and senior managers
- Improve the Scrutiny Function
- Review and update Code of Corporate Governance
- Undertake contract management
- Monitor effectiveness of partnerships
- Formally evaluate benefits gained from all major programmes and projects

Head of Internal Audit Annual Opinion

I am satisfied that sufficient internal audit work has been undertaken to allow an opinion to be given over the adequacy and effectiveness of governance, risk management and systems of internal control. In giving this opinion, it should be noted that assurance can never be absolute and represents an assessment of risks addressed. The most that an internal audit service can provide is reasonable assurance that there are no major weaknesses in the systems of internal control.

Our opinion is based on:

- All audit work (planned and advisory) undertaken during the year.
- Any follow up action taken in respect of audits from previous periods.
- Any significant recommendations not accepted by management and the resulting risks.
- The effects of any significant changes in the organisation's objectives or systems.
- Any reliance that is being placed upon third party assurances, such as those from Ofsted, and control weaknesses identified through External Audit procedures.
- In line with the previous year, the annual audit opinion is now being developed in line with the standard opinion types promoted by the Public Sector Internal Audit Standards

In my opinion for 2014/15 I identified that major improvements were required to improve the adequacy and effectiveness of governance, risk management and control. It was recognised at the time, and made clear by the Chief Executive in his response to the Annual Report and Opinion, that there would need to be a focus on the highest areas of risk during 2015/16, such as the organisational structure and the Children's Services inspection, and that a number of significant actions required would be implemented in the medium rather than short term to ensure that steady and sustained improvement was achieved.

The Chief Executive recognises that by focussing our resources and effort on the highest risk areas in 2015/16 that the Council has developed a better understanding of the key risks it faces and has to manage, particularly in Children's Services, but that this investment in the highest areas of risk has had an impact on the overall direction of travel for the year. This, along with the need to identify and drive out further significant savings and the further reductions in managers/staff while focussing on a significant number of priority activities could lead to increased exposure to risk and control failures which senior management and Members need to continue to keep under review.

In determining my opinion for 2015/16 I have recognised that a number of key improvements to governance arrangements, including the organisational restructure which has improved clarity over governance, accountability and management oversight responsibilities across the council and the introduction of the Strategic Transformation Board, have been delivered and have put in place a platform to deliver the medium term actions which are required to bring about sustained improvements in the council's governance arrangements and control environment.

Our work during 2015/16 identified that while a number of the highest risks, as identified above, have been or are being addressed, there remain some significant weaknesses in the governance, risk management and systems of internal control framework, which place the achievement of organisational objectives at risk.

In my opinion major improvements are required to improve the adequacy and effectiveness of governance, risk management and systems of internal control, while recognising the impact of further reductions in available resources and staff to operate and oversee the control environment. In recognising the focus on the highest areas of risk in 2015/16, this outcome is not unexpected.

I have reached this conclusion primarily due to the following reasons:

- We have identified a number of high and medium risk rated weaknesses in individual assignments which we believe are *significant in aggregate to the overall quality of the internal control system; and*

- We have issued four critical risk rated reports. In our view, the findings from these higher risk reports are *not pervasive* to the overall system of internal control, and it is important to note that a number of our planned reviews this year received positive assurance ratings due to good controls and governance arrangements being in place as well as improvements noted in the implementation of previously agreed actions.

We have undertaken reviews where we have identified robust controls and governance in place. However, the number of critical risk and high risk reviews for 2015/16 has increased from the previous year and is now running at more than 50% (42% last year) of all reports issued (excluding schools). This is a key factor in determining the overall opinion and suggests that the required improvements to the council's control environment have not been fully made and/or embedded in the year. However, this needs to be balanced with the fact that the use of a risk-based audit planning approach is intended to focus on the areas of highest risk, which can in itself contribute to a higher proportion of adverse opinions for individual audits.

The incidence of critical risk rated reports is a matter which management and Corporate Committee should continue to take seriously in order to ensure areas exposed to enhanced risk, which are also likely to be impacted by the pace of change required, are prioritised for control improvement and are factored in to significant transformational change programmes. Support services, such as ICT, HR and Finance, need to continue to evolve and develop to support the effective management of the organisation's key risks and the organisational redesign programme will provide opportunities to ensure this happens. The importance of effective handover arrangements as more managers and staff leave the organisation is also critical to ensuring that existing high risk areas do not deteriorate further.

In arriving at the above opinion a number of key themes and findings emerging from our work have been taken into account:

a. Governance, Accountability and Roles and Responsibilities

The council restructure and introduction of the Strategic Transformation Board have led to improved clarity of accountability and responsibilities. However, we have identified a number of areas where oversight arrangements were not effective and management have not developed mechanisms to get assurance over the operating effectiveness of key controls, for example through our reviews of: Housing Management Health and Safety (currently draft), Service Charges, Care Home and Community Support Provision, ICT Strategy, Budgetary Control and Savings (currently draft) and Direct Payments (Children's).

b. Children's Services

Ofsted's February 2015 inspection of Children's Services awarded an overall opinion of "inadequate". This was a key factor that contributed to the Annual Opinion given in 2014/15. Over the last 15 months, we have seen that the Council has developed a clear vision for improving the service, has put in place robust governance arrangements for the Improvement Programme and has developed an Improvement Plan setting out the workstreams and actions required to address the weaknesses identified by the Ofsted inspection. With a further formal review by DfE taking place at the end of June, the current assessment is that the improvement programme is broadly on track with the priority actions set for the 6 month review stage.

While the right building blocks are deemed to be place to deliver improvement over the coming months, there is a clear understanding that the programme is at a critical point in terms of scaling up the new approach across the whole service and a recognition that

social work practice remains highly variable in quality and consistency. The Improvement Board recognise the need to ensure the stability of core services during the period of transition is maintained, that key improvement actions are implemented and embedded across the whole service while ensuring that costs are appropriately controlled. We also identified significant issues when looking at areas of Children's Services, for example Direct Payments, that were not covered through the 2015 Ofsted inspection which suggests further weaknesses in the control environment are present.

c. Risk based approach

In light of diminishing resources the Council is required to manage risk more efficiently and work smarter to focus resources on areas that represent the highest risk. It also needs to ensure that managers take responsibility for oversight arrangements in their area. We identified various areas (for example Direct Payments, Care Homes and Community Support Provision and Early Years) where a more systematic risk based approach could result in improvements in efficiency and improve the effectiveness of controls and reduce the risk of fraud (e.g. Direct Payments). The Council has adopted an updated Risk Management Strategy and Risk Appetite Statement but further work is needed to embed this in services.

d. High and Critical Risk Audit Reports

We have issued 4 critical risk and 10 high risk reports. The proportion of critical and high risk reports has increased to 54% in 2015/16 compared to 42% in 2014/15. These are not pervasive to the entire control environment but are significant in aggregate.

e. Contract Management

Ensuring value is secured through commissioned services is fundamental to the Council achieving its strategic priorities due to the service delivery models in place and the dependencies on external providers. We tested a sample of key contracts in the year, with a specific focus on PFI and Housing Management contracts, along with two large service contracts (Capita and waste management). While we saw evidence that the service contracts were being well managed we identified in the other contracts, which we identified through our risk-based approach as being high risk, that the design and effectiveness of performance management frameworks was a consistent theme for example: Myatt's Field PFI Scheme, Mechanical and Engineering Uplift Contracts and Norwood Hall PFI Scheme. As a result of our testing in 2015/16, we will ensure there is appropriate focus on housing related contracts in 2016/17. It is imperative that the organisation sets clear expectations for consistent good contract management practice with appropriate oversight to ensure compliance. In addition, performance

management procedures should focus on the most significant areas of activity and effectively incentivise positive contractor behaviours and performance.

f. Housing Management

Re-integration of the social housing function back into the Council occurred on 26th June 2015. We found significant deficiencies in the control framework for key areas of the housing management function such as Health and Safety, and Service Charges and Mechanical and Engineering Uplift Contracts. The first two areas were issues that were flagged as part of the due diligence exercise performed upon reintegration and highlights there has not been improvements made to key controls upon reintegration of the function into the Council. It is recognised that following the transfer, the Council is now able to effectively direct improvements and implement the redesign services and control environment.

g. Other factors

Other factors, detailed in my Annual Report for 2015/16, which have been taken into account in forming the Annual Opinion include:

- Continuous Auditing and Monitoring – slight deterioration in three out of 17 systems;
- Implementation of recommendations – slight deterioration in full implementation of high risk recommendations and some recurring recommendations from previous years;
- Assurance from other sources; and,
- Schools Audit Programme.

h. Good practice

My Annual Opinion also considers good practice identified. For example, good practice was identified through our Programme Management review whereby the control framework for managing projects and programmes has been revised to encourage a consistent, corporate approach. Similarly proactive action has been taken to improve controls and processes around as noted in the No Recourse to Public Funds review.

The following areas of good practice have also been considered:

- The Council has introduced new governance arrangements to ensure that all projects and programmes are identified within the one, sustainable portfolio and enable a more consistent, corporate approach to managing projects. The **Programme Management Office** have introduced a control and assurance framework for projects and programmes within the portfolio that is supported by methodologies to support key processes such as performance management and benefits realisation. We identified through our Programme Management review that this was largely aligned with industry best practice. We also understand that the Council is taking steps to develop a corporate approach to contract management which should be implemented in 2016/17.

- Although we identified high risk issues in relation to the ongoing training provided by the Council to users to ensure compliance with data protection regulations as part of

our **Data Protection** review, management swiftly rolled out the delivery of workshops to a large amount of officers to alleviate this issue. Having received the outcome of the Data Protection review Corporate Committee agreed to amend its Terms of Reference to include oversight for information governance.

- As part of the **No Recourse to Public Funds** (NRPF) review it was apparent that a multi-disciplinary team had successfully reduced the Council's caseload through the retrospective review and progression of cases, a funded position at the Home Office to expedite decision making regarding immigration status and the introduction of a revised assessment framework as well as establishing a more robust control framework.

- Through the **Integration with Health** review, which examined the **Committees in Common** arrangements in place between the Council and Lambeth Clinical Commissioning Group (CCG), we identified that a clear documented governance framework underpinning the section 75 agreement was in place, along with clear roles and responsibilities for committees and key officers involved in the integrated arrangements. This review was the first under a joint approach to obtaining audit assurance which is being developed with the CCG and its internal auditor. We would suggest that good practice and learning from this review be considered for other formal partnership arrangements which the Council has entered into.

- The Council retained its **Public Services Network (PSN) accreditation** which evaluated IT infrastructure security arrangements.

> *The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.*
>
> *Delivering Good Governance in Local Government: Framework – 2016 edition)*

The Community Plan

The council agreed to publish a new Community Plan in 2016. This will be a 5 year plan for the borough, and will outline our ambitions and the shared priorities of partners in Lambeth. Lambeth is experiencing considerable investment and there are good opportunities to grow our local economy and increase prosperity. Our challenge is to ensure that this benefits local communities, and that we work together to tackle inequality.

> **Core Principle 1 –**
> Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the area

An initial cabinet paper was published in March 2015 setting out three strategic priorities, and some of the key choices we have in achieving these priorities. These objectives were developed by analysing a range of research and information, and through discussions within the political leadership and borough partnership. Our intention is to consult and work with residents, businesses, stakeholders and partners over the next three months to agree answers to these questions, and in doing so, develop the detailed outcomes and targets. A final Community Plan will be published in June, and will be followed up later in the year with a delivery plan to provide details to the public and stakeholders about how we intend to work together to achieve the outcomes.

Within the council, the community plan will feed through into directorate and divisional business plans, and individual staff objectives. This will provide a clear line of sight between the strategic aims of the organisation and individuals' work programmes, helping to focus and prioritise the activity of the council.

We will also be undertaking a review of partnership governance early in 2016/17 to identify the most effective arrangements for providing leadership and governance for the delivery of the Community Plan across the partnership.

The Constitution

The London Borough of Lambeth's Constitution sets out how the council operates and how decisions are made. This includes a great deal of detail about committees, their powers and procedures, financial processes, rules of procedure and legal matters. The council has regularly reviewed and matched its governance structures and processes to council-wide priorities, to ensure the principles of good governance are applied throughout the council.

All changes to the constitution are reviewed by legal and then submitted to the Constitution Working Group (CWG). The CWG is an informal body made of senior politicians and officers from across the council and is chaired by the Chief Whip. The CWG meet regularly throughout the year to review the constitution and give the council confidence that its constitution remains robust, up to date and compliant with all relevant legal requirements.

The Council - How it works

The council comprises 63 councillors from different parties, all councillors are democratically accountable to the residents of their Wards. The overriding duty of councillors is to the whole community, but they have a special duty to their constituents, including those who did not vote for them. There are a wide range of decisions that need to be taken to ensure the effective running of the council, most decisions of an operational nature will be taken by officers. However more significant decisions of a strategic nature, or those with financial implications in excess of £500k, or those having a significant community impact will either be taken by councillors collectively, for example at a full Council meeting, Cabinet or a committee or in certain circumstances by individual cabinet members.

Overview and Scrutiny

Overview and Scrutiny is a key part of the democratic process of the council. Overview and Scrutiny Committee monitors the policy decisions of the Cabinet and has a key role in advising on the development of council policy. It also looks at broader issues affecting Lambeth.

Overview and Scrutiny Committee is the council's single overarching scrutiny committee. The committee is responsible for scrutinising the whole range of the council's functions and responsibilities, as well as other public service providers' work and its impact on the local community. The committee holds the statutory responsibilities for health scrutiny and for crime and disorder scrutiny. The Overview and Scrutiny Committee can establish scrutiny 'commissions' to undertake reviews of specific matters. Scrutiny is used to hold public-service providers in Lambeth to account and help improve the public services in the area. Effective scrutiny improves accountability, ensures transparency of decision-making, contributes to service improvement and acts as a 'check and balance' on decision-makers.

Member and Officer Development

Lambeth is also actively engaged with colleagues through the London Member Development Network, which the Head of Democratic Services and Scrutiny continues to attend. Members of key committees, such as the scrutiny committee and its panels, have received specialised training in order to equip them to carry out their duties. Support and information is also provided to opposition parties such as when they seek to put forward alternative budgets.

The Constitution outlines the officer and member code of conduct. The council's monitoring officer oversees all member code of conduct issues with the Independent Person where necessary. We are in the process of formalising member development support within Democratic Services as part of the revised structure.

> **Core Principle 5 –** Developing the capacity and capability of members and officers to be effective

During 2015/16 a series of member development opportunities have been provided to members of the council. This includes corporate parenting, pensions, scrutiny (effectiveness), procurement, equalities, public speaking, chairing skills and personal safety training and running a surgery. In addition, councillors have attended specific training sessions to support them with their portfolio responsibilities and to enhance their skills as councillors. This requires the approval of the relevant party whip and the Head of Democratic Services and Scrutiny to ensure a fair allocation and relevance.

In 2014, the council worked with Members, officers and residents to devise a behavioural framework to support the Cooperative Council. 13 behaviours were created, five of which are core to all roles at the council. The behaviours define the type and level of conduct required of officers, when dealing with stakeholders and delivering a service to citizens. The behaviours are measured throughout the employee lifecycle, including recruitment and performance management.

Learning and development support is reviewed regularly to ensure that it is both relevant and effective. The support ranges from induction and onboarding, through development into the role, succession planning and personal development and includes support for statutory roles such as social care, housing, benefits and democratic services.

> **Core Principle 2 –** Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Due to budget restraints the council has adopted a blended approach to learning, resulting in some courses being offered as an e-learning module rather than classroom based training. This reduces the amount of resources required to administer and deliver training, and also enables staff to undertake courses at a time and location suitable for them.

Lambeth Council Structure 2015/16
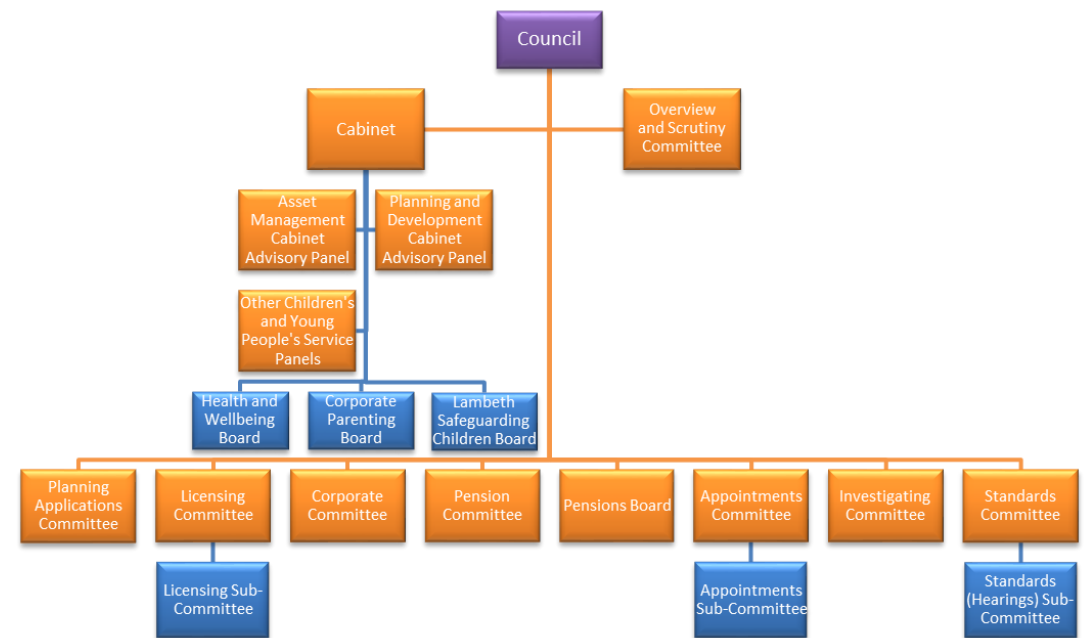
During 2015 the organisation undertook a review of corporate governance, with the objective of simplifying and increasing accountability in management decision making and aligning it more closely with political decision making. To this end, the Corporate Management Team was established, consisting of the three strategic directors, chief executive, and director of finance. This management team meets weekly to provide corporate leadership and direction to the organisation. At the same time, the forward plans for Informal Cabinet and the Corporate Management Team were brought together to facilitate greater alignment between the managerial and political leaderships' programmes of business.

The review also looked at the role of outcome panels and their future role. These panels had been particularly effective in enabling cabinet members to lead the budget setting process, and it was agreed to retain them for this purpose. However, they would cease to meet regularly, and instead, Cabinet Member Briefings (CMBs) would be reintroduced. CMBs would take place monthly, or more frequently if necessary, and provide a forum for cabinet members and their directors to discuss finance and performance issues relating to their portfolio, and advice for decision-making. Business is organised through a forward plan, and support is provided by Committee Continuity Officers.

> **Core Principle 6 –**
> Engaging with local people and other stakeholders to ensure robust public accountability

At the beginning of September structural changes were made to the organisation to form three directorates: Children, Adults and Health; Neighbourhoods and Growth; and Corporate Resources. Each directorate is led by a Strategic Director and managed by a directorate management team. These directorate management teams consist of the directors and other relevant senior managers within the directorate, and meet weekly or fortnightly to provide leadership and direction on the finance, performance and personnel matters, and the ongoing business of the directorate.

A new decision making guide was launched in 2016 to assist staff and members. A report writing course is currently being developed along with a working in a political environment course.

The Corporate Committee

The Corporate Committee performs the 'audit committee' role through its oversight and monitoring of council corporate governance activities including internal audit, counter fraud, external audit, financial performance and reporting, risk management and whistleblowing. Its terms of reference, structure, composition and work programme have been developed with reference to the CIPFA Position Statement and published guidance Audit Committees – Practical Guidance for Local Authorities and Police (2013), the requirements of the Public Sector Internal Audit Standards (2013) and the CIPFA Toolkit for Local Authority Audit Committees (2006). The local code of corporate governance is submitted to Corporate Committee.

Governance of Partnership Boards

Effective partnership governance will be critical to achieving the outcomes the council and partners are working towards over the next five years, as described in the community plan. As well as meeting their statutory duties, partnership boards will need to provide effective governance and leadership to the delivery of the community plan.

The council and partners are already in the process of strengthening several partnership boards, including the LSCB and the YOS Management Board in response to findings from external inspections.

We will be undertaking an internal review of partnership governance early in 2016/17 to look at how the partnership boards can work more effectively as individual boards, and together. We will be reviewing several areas including their role and remit, membership and development of members, the way they are supported, access to information, and the relationship between the individual boards.

Following discussion with partners, it has also become clear that Lambeth requires a more formal strategic partnership. We will be looking to put this in place in autumn 2016. Its role will be to provide strategic leadership to partnership working, and the stronger coordination of the individual boards.

Compliance with laws and regulations

Under the general duty set out in the Equality Act 2010 the council must have due regard to the need to eliminate unlawful discrimination, harassment and victimisation; to advance equality of opportunity; and to foster good community relations. The council's Equalities Objectives are set out in the Community Plan and were defined through consultation with citizens. This demonstrates that we do not see equalities as being an add-on to our activities, but at the heart of what we do. All new and revised policies and projects must complete an Equalities Impact Assessment to demonstrate they have considered the impact on citizens and any mitigation needed to reduce negative impacts. In addition to the nine protected characteristics enshrined in law, the council also considers equality impacts in relation to health, socio-economic status and English as a second language. Following the LGA rating In February 2015 of Lambeth Council's equality practice as 'excellent', the council continues its commitment to equality.

The council has a clear two stage process for handling complaints. This is supported by the Corporate Complaints Policy. The Policy sets out clear guidance on logging, handling and monitoring complaints at all stages of the complaints process and for external

enquiries from the Local Government Ombudsman. The aim of the complaints process is to drive service improvement across the council by highlighting good practice and identifying lessons learnt from complaints.

The council also has a clear process for managing Freedom of Information (FOI) and Data Protection requests. The aim of the process is to promote transparency across the organisation and deliver an efficient approach to handling requests. The process is supported by Directors (who are responsible for signing off requests); challenge is provided by the Corporate Complaints Unit and Legal Services; monitoring is carried out by the Complaints and Information Requests Board, which highlights and shares good practice and the Operations Board have strategic oversight, receiving regular six-monthly performance reports on compliance with the Information Acts. We report FOI and SAR performance to the Information Governance Working Group held every three months. Support and guidance is available to officers across the council via documentation on the intranet and desk-based teaching provided by the Corporate Complaints Unit.

There is an immediate challenge in the coming year (2016-17) through the reintegration of Lambeth Living. We need to make sure that the good practice from both organisations is properly shared and applied, and that a consistent approach is taken to dealing with complaints, FOIs and Data Protection.

Managing Key Risks

The council's risk management process is implemented across Directorates, Business Units and Projects. On a quarterly basis each Directorate and Division reviews and updates the risks captured on their risk registers and adds any new or emerging risks.

New risks and key changes to current risks are discussed and challenged at Directorate and Corporate Management Team meetings. Annually each directorate is encouraged to undertake a full risk review in line with service and financial planning processes. Key risks are included within relevant Directorate and Divisional business plans and are also reported to Corporate Committee. This reporting format ensures that the council's risk management framework remains embedded and the reporting of risks remains "live" across the organisation. Further information on risk reporting can be found within the council's risk management strategy 2014-17.

> **Core Principle 4 –**
> Taking informed and transparent decisions which are subject to effective scrutiny and risk management

The council's risk management policy and the risk management strategy are reviewed and refreshed annually. Both items are approved by the Corporate Management Team and Corporate Committee and are published on the council's website.

Risk Appetite

At the start of 2015/16 the council's risk management team worked with Zurich Municipal to develop and expand the council's risk appetite statement and categories. A risk exposure vs risk appetite survey was issued to senior officers and cabinet members, and the results were analysed and used to form a risk appetite statement and methodology. A number of interesting findings came out of the risk appetite exercise, including some notable differences between current risk exposure vs risk appetite. A visual summary of the new risk appetite thresholds is displayed in the table below. The figures represent the numbers of corporate and strategic risks in each of the scoring bands to show where risks are below or above appetite.

Risk Appetite Matrix

Risk Category	Averse Risk Score 1-2	Minimal Risk Score 3 - 4	Cautious Risk Score 6 - 8	Open Risk Score 12 - 16	Hungry Risk Score 24 - 32
Strategy & Finance		2	7	11	1
Growth & Opportunity		2	6		1
Governance & Compliance		1	3	6	1
Customer Outcomes & Quality		4	9	13	2
Contract Management			1	2	
Information Governance					
People			1		1

Risk Appetite Level	Risk Appetite Description
Averse	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimal	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefit.
Cautious	Preference for the safe options that have a moderate degree of risk and may only have limited potential benefits.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Hungry	Eager to realise benefits and to choose options to achieve this despite the higher risk.

2015/16 Sample of risks:	
Risk	**Mitigation and response to this risk**
Governance and control processes	The Annual Governance Statement (AGS) and Annual Audit Opinion (AAO) 2014/15 reported that significant improvements are required to the council's governance and control processes. In response to this a high level action plan was drawn up to enable CMT and Members to gain assurance that appropriate actions were agreed and being taken to achieve improvement.
Welfare of children not adequately safeguarded and promoted	The 2014/15 Ofsted inspection identified a number inconsistencies within Children's Services and six key recommendations were identified. The council prioritised the implementation of the recommendations and progress has been made against them during 2015/16.
Loss of expertise to deliver council outcomes.	Primary controls for this risk involve the development and implementation of robust strategies to retain a skilled and motivated workforce. Examples of specific actions include: talent and knowledge management, succession planning and a revised recruitment & retention strategy for hard to fill and retain posts.
Increased demand for temporary accommodation outstrips supply	This is a pan London risk which is being treated through a number of initiatives including: Re-engineering front line services to improve homelessness prevention and increase financial resilience, producing new policy for placements and discharge of duty and robust temporary accommodation monitoring and reporting.

Resilience

Lambeth has fully implemented the provisions of the Civil Contingencies Act 2004 as a `First Responder'. This means that we constantly plan and are able to respond to any civil emergency alongside the emergency services and partners. We also have a strong business continuity strategy and plan – to ensure that the council and its more critical services are able to work `business as usual' in a crisis. We train Cabinet and Senior Officers once yearly during a major exercise to ensure that key staff and elected officials can operate in a state of readiness. Additionally we review business continuity plans with directorate and our partners to provide corporate reassurance that we are able to deal with the unexpected.

Public Health Responsibilities

The council took on responsibility for Public Health from the NHS in April 2013. Public Health services exist to support people to make healthier choices and aim to minimise the risk and impact of illness. During 2015/16 Lambeth and Southwark council's took the decision to end the shared arrangement for Public Health commissioning which had been in place since 2013. As a result, action is being taken to ensure that new arrangements for Lambeth are put in place, that risks are appropriately identified and managed and that responsibilities for dealing with major public health incidents are clearly defined and understood across the Council and with key partners.

Managing the risk of fraud

The council is committed to tackling fraud, abuse and other forms of malpractice and, therefore, it has a range of counter fraud policies and a whistleblowing procedure in place to enable employees to raise their concerns about such malpractice at an early stage and in the appropriate way. Allegations are investigated independently by Internal Audit and reported regularly to the Corporate Committee. The committee ensures that the corrective action taken is robust.

> **Core Principle 3 -**
> Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Internal Audit and Counter Fraud (IACF) carries out several hundred investigations each year into fraudulent activity in areas such as:

- Housing, including subletting, fraudulent tenancies and right to buy
- Council tax support and discounts
- Direct payments
- No recourse to public funds
- Fraud and corruption involving officers, members and contractors

Lambeth devotes significant resources to the identification and investigation of fraud. All relevant investigation outcomes are given widespread publicity and the team has featured in the past year on the BBC production *Council House Crackdown* and on *Dispatches* on Channel 4.

During 2015-16 IACF identified fraudulent activity of around £3.7m.

Internal Audit

The council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service who is charged with reviewing the adequacy of the controls that operate throughout all areas of the council.

The Internal Audit Service has been managed and delivered in accordance with the Public Sector Internal Audit Standards (PSIAS) which were introduced in April 2013.

Managing Finances

The vision of the Lambeth administration is 'Ambition and fairness for all' and includes the promise to deliver high quality services that focus on individuals' needs and represent value for money.

The council has ensured that it has a Medium Term Financial Strategy and developed a 3 year programme of £90m savings to present balanced budgets over the medium term. The council's financial management strategy sets out an overview of our approach to make the best use of our resources to help achieve the council's vision and ambitions for the Borough and maximise sustainable benefits for the people of Lambeth.

The strategy focuses on three key areas:

- building financial resilience within both the council and its communities – developing strategies to minimise our dependency on central government funding as well as driving local economic growth and development

- managing our assets – developing strategies to maximise the benefit of our capital programme and explore alternative funding solutions

- providing high quality financial management across the organisation – ensuring the Financial Planning and Management team supports the development and improvement of financial and budget management skills in service managers across the council as well as ensuring the effective implementation of Oracle R12.

Chief Financial Officer and Chief Monitoring Officer

The Director of Finance is the council's appointed Chief Financial Officer and the Director of Corporate Affairs was the Chief Monitoring Officer during 2015/16. The role has been moved to the Head of Legal Services. These are statutory posts, responsible for delivering and overseeing the financial management and governance of the council. The Chief Financial Officer is a member of the Corporate Management Team and is responsible for the provision of accountancy services across the council.

Significant governance issues 2015/16

This year has been a period of change and increasing financial pressures. Despite this challenging environment, there have been some improvements in the council's governance arrangements. There were no new significant governance issues during 2015/16, however the council continues to face a number of significant challenges that require consideration and action over the medium to long term including:

- Continuing ongoing impact of reduced government funding, reductions in housing rents and implications of right to buy arrangements

- Legal challenge over the proposed redevelopment of Cressingham Gardens

- The implementation of the Children's Social Care Improvement plan

- Continued potential impact of Welfare Reform including the delayed introduction of universal credit

- Shared responsibilities for public health across Lambeth and Southwark including the transfer of children's public health commissioning which requires ongoing scrutiny to ensure best value and achievement of outcomes

- The continuing need to improve services and enhance customer access to those services whilst achieving significant savings

- Improving our ICT infrastructure and introducing an Enterprise Architecture Design process to help ensure technologies being implemented are appropriate to support future design of services.

Steps will continue to be taken during 2016/17 to address the above matters and further enhance our governance arrangements including the continual development of the council's risk management framework and risk management culture.

Updates on previous years' significant issues (2012-2015)

Outcome of Ofsted Inspection

In May 2015 Ofsted judged Lambeth's Children's Services and LSCB to be inadequate. Ofsted identified two areas as requiring improvement within the children's services inspection. These were:

- Children who need help and protection
- Experiences and progress of care leavers

Three areas were found to be inadequate:

- Children looked after and achieving permanence
- Adoption performance
- Leadership, management and governance

This led to an overall judgement of inadequate

The council is taking the Ofsted findings very seriously. A comprehensive improvement programme was agreed in November 2015 which did not respond in a knee jerk way to Ofsted's findings but sought to address the root causes.

A Children's Services Improvement Board (comprising senior council representatives, politicians, partner agencies and external peers able to offer significant challenge) is overseeing and challenging progress on the improvement plan whilst ensuring the service is safe and risks to children are minimised through the transition process. An operational programme board meets once a week to review progress, take decisions and consider risk and performance.

Lambeth received formal notice to improve from the DfE in December 2015. There was a first DfE stocktake in February 2016 to assess progress; further formal stocktakes are scheduled for June and December 2016. Lambeth needs to meet the DfE requirements at these points or there is a risk an external commissioner may be appointed and the children's services and the LSCB may be taken out of the local authority's and partner control. A children's scrutiny commission, chaired by the chair of Overview and Scrutiny meets monthly, and Ofsted undertakes improvement visits every other month. A peer review conducted in association with the LGA is scheduled for September 2016.

Significant issue 2013/14 – data security breaches

2013/14

Following referral of a number of information security incidents to the Information Commissioners Office, the ICO's investigation concluded with no further action being taken other than to keep a record on file which may be used to form a picture of the council's data handling capability in the event of future breaches.

2015/16

There has been improvement in the frequency of significant data breaches, though the council has still been obliged to engage the Information Commissioner once in the last year - a matter still under investigation. This occurred prior to two notable events which will improve the way information is handled. Firstly a new information governance policy framework was published which rationalises the vast array of old policies and procedures we had into a single cohesive set. Secondly, a council-wide face-to-face training programme was rolled out in the first two months of 2016.

Ongoing work includes:

- The establishment of an Information Governance Board to sit above the existing IG Working Group
- The revival of the council's web-based training offering on information governance
- A council-wide business process review
- The rolling out of an online policy delivery system
- Working closely with colleagues in Business Transformation to rationalise document management

Significant issue 2013/14 – Management of Member Enquiries, Freedom of Information requests and Complaints

In previous years the management of Freedom of Information (FOI) requests was a significant issue for the council. In 2014/15 this was managed to an acceptable level, with ICO monitoring ceasing. The council has turned its focus to Subject Access Requests (SAR), where the performance is significantly below the statutory target of 85% of requests responded to within 40 calendar days, although there has been no formal intervention to date.

Housing works in the housing programme - value for money considerations and S20 Leaseholder Income

The council's management of these two issues has made some progress over the last 12 months, but overall this area should still be recognised as posing significant risks. Factors taken into account in giving this assessment are as follows:

- Good progress has been made in retendering planned maintenance works packages, under competitive procurement (rather than the roll-forward of previous arrangements), although these won't provide benefits until 2016/17.
- Reintegration of Lambeth Living staff, taken together with other restructures across the council, mean there is a short-term risk of loss of continuity of service. However, this equally presents opportunity in the future for more efficient and effective provision.
- Billing arrangements to leaseholders are not straightforward, with interim billing and final billing being difficult to differentiate on the system.
- The Continuous Audit Monitoring reports continue to flag up a high risk in the recovery of leaseholder contributions.

Youth Offending Services (YOS) core case inspection outcome

Operating Effectiveness - Case Assessments: completion of ROSH and ASSETs on time.
The YOS has recently completed a robust recruitment campaign to reduce down its dependency on agency staff and the inconsistency in practice that high staff turnover and churn creates.

In order to establish a set of higher standards and drive up the quality of practice, particularly for new starters in the service, we are about to undertake a six month Quality Assurance project that will see a dedicated team gate-keeping, monitoring and auditing a wide range of quality documentation, standards and practice delivery. The new Quality Assurance framework is being implemented to support the YOS to support its new starters to adopt a best practice approach to working with young people involved in offending and drive up practice standards across the service as a whole.

It has been designed to:

- support the integrated cycle of assessment, planning, implementation and review, including the introduction of Asset Plus;
- provide practice guidance to staff across the board;
- monitor and report on practice improvement across a number of forums;
- provide a consistent system for evaluating the evidence of effective practice across the YOS;
- set performance improvement targets and prioritise improvement effort within the YOS;
- facilitate continuing improvement in the work undertaken by the YOS;
- listen and respond to the views of young people, their families and victims through exit.

(YOS) core case inspection outcome (continued)

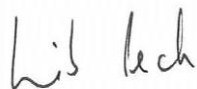**Operating Effectiveness - Case Management Documentation not reliable**

Two highly experienced (permanent) Senior Operations Managers joined the Service in June. They will be supported by the YOS Quality Assurance Project to drive up quality of Assessments and the wider recording standards in the service. Across the service we have recruited a further 12 new members of staff at practice manager and case manager level. A detailed induction programme has been put in place to ensure expectations and practice standards are clear from the start with all new staff. A rolling staff development programme has also been put in place to ensure existing staff are supported to improve practice and assessment quality. A new, more up to date, assessment framework for young people coming into the YOS – Asset Plus – is being rolled out in June following an intensive staff training programme and linked to the rollout, last December, of a new management and casework information system, Childview.

Self-Assessment of compliance against the council's six governance principles

Core Principles from the Local Code of Corporate Governance		Assessment of compliance against the principles for 15/16
1	Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the area	Green
2	Members and Officers working together to achieve a common purpose with clearly defined functions and roles	Green
3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	Amber
4	Taking informed and transparent decisions which are subject to effective scrutiny and risk management	Amber
5	Developing the capacity and capability of members and officers to be effective	Amber
6	Engaging with local people and other stakeholders to ensure robust public accountability	Green

Green	Suitable evidence in place to demonstrate compliance
Amber	Some areas of compliance with areas identified as in need of improvement
Red	Lack of evidence to demonstrate compliance, significant improvement needed

Signed:

Leader of Lambeth Council   Chief Executive – Lambeth Council

Olive Morris House
Brixton Hill
London
SW2 1RL