Annual Governance Statement 2018/19

Executive summary/conclusion

Audit activity has identified areas where improvement is required, but overall the council is satisfied that appropriate governance, risk management and control arrangements were in place during 2018/19. Plans are in place to address the identified issues and further improve our governance arrangements during 2019/20.

Introduction and Acknowledgement of Responsibility

Lambeth council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It needs to ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

The Accounts and Audit Regulations (2015) require the council to conduct a review, at least once a year, on the effectiveness of its systems of internal control and include an Annual Governance Statement with the Statement of Accounts.

The Principles of Good Governance

The CIPFA/SoLACE* Delivering Good Governance publication (2016) defines the various principles of good governance in the public sector. The document sets out seven core principles that underpin the governance framework and these are set out below (Appendix B sets out in more detail how the council is achieving these requirements in practice).
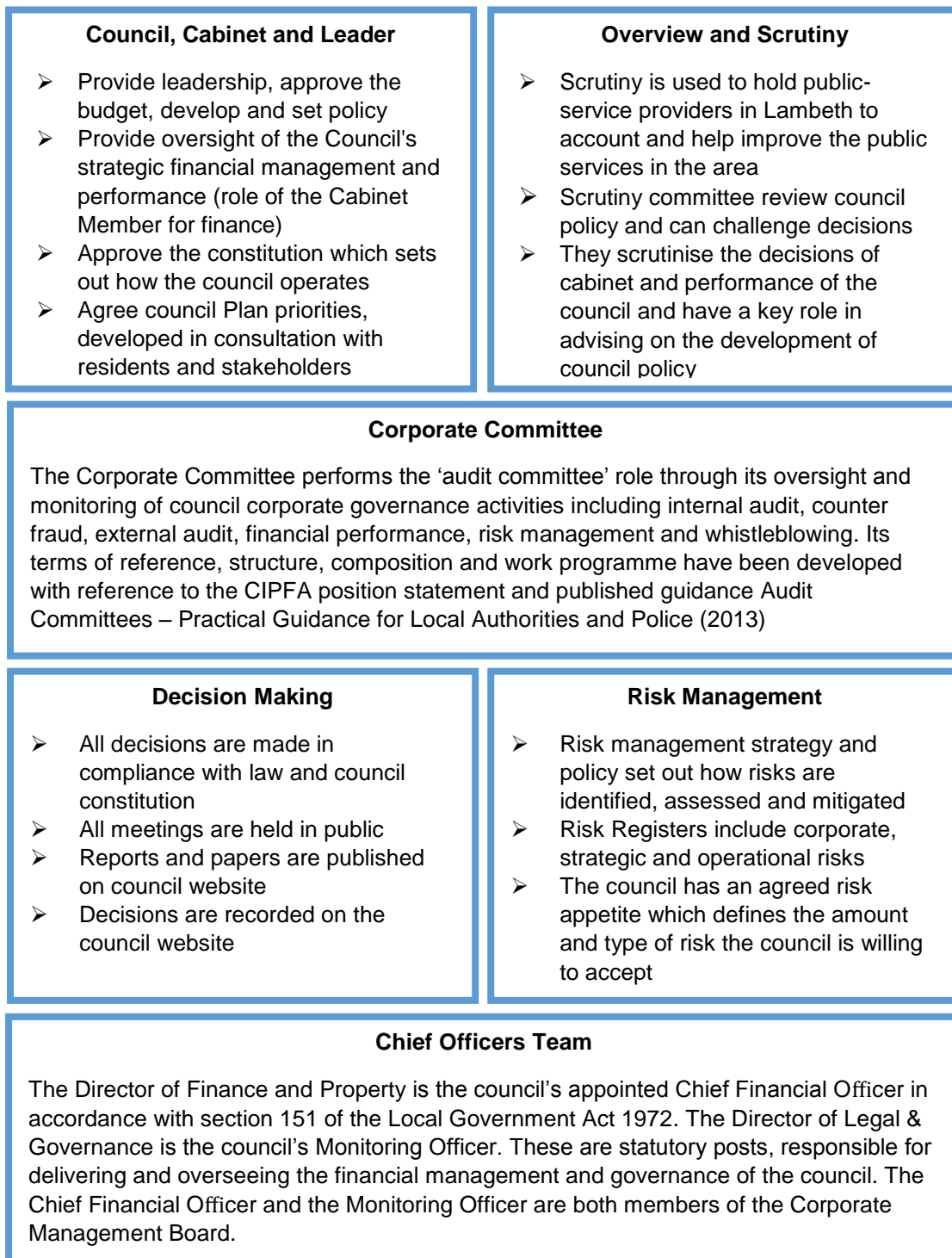
Core Principles of the CIPFA/SoLACE Framework

- **A.** Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- **B.** Ensuring openness and comprehensive stakeholder engagement
- **C.** Defining outcomes in terms of sustainable economic, social and environmental benefits
- **D.** Determining the interventions necessary to optimise the achievement of the intended outcomes
- **E.** Developing the entity's capacity, including the capability of its leadership and the individuals within
- **F.** Managing risk and performance through robust internal control and strong public financial management
- **G.** Implementing good practices in transparency, reporting and audit to deliver effective accountability

Key Elements of the Council's Governance Framework

The council's governance framework comprises the systems, processes, cultures and values by which it 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.

Figure 1 – Overview of the Council's Governance Framework

Council, Cabinet and Leader

➢ Provide leadership, approve the budget, develop and set policy
➢ Provide oversight of the Council's strategic financial management and performance (role of the Cabinet Member for finance)
➢ Approve the constitution which sets out how the council operates
➢ Agree council Plan priorities, developed in consultation with residents and stakeholders

Overview and Scrutiny

➢ Scrutiny is used to hold public-service providers in Lambeth to account and help improve the public services in the area
➢ Scrutiny committee review council policy and can challenge decisions
➢ They scrutinise the decisions of cabinet and performance of the council and have a key role in advising on the development of council policy

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, 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)

Decision Making

➢ All decisions are made in compliance with law and council constitution
➢ All meetings are held in public
➢ Reports and papers are published on council website
➢ Decisions are recorded on the council website

Risk Management

➢ Risk management strategy and policy set out how risks are identified, assessed and mitigated
➢ Risk Registers include corporate, strategic and operational risks
➢ The council has an agreed risk appetite which defines the amount and type of risk the council is willing to accept

Chief Officers Team

The Director of Finance and Property is the council's appointed Chief Financial Officer in accordance with section 151 of the Local Government Act 1972. The Director of Legal & Governance is the council's Monitoring Officer. These are statutory posts, responsible for delivering and overseeing the financial management and governance of the council. The Chief Financial Officer and the Monitoring Officer are both members of the Corporate Management Board.

A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

All changes to the constitution are prepared by Democratic Services, 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 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. Constitution available here

The council has in place a 'Whistleblowing Policy' (Duty to Act) which reflects the legal framework and obligation on the council to enable staff to raise concerns which may involve unlawful conduct, illegality, financial malpractice or dangers to the public, employees or the environment. This procedure sets out the action that individuals should take to report a concern and also the action to take if, in extreme circumstances, a matter is not addressed or if they feel that raising the matter internally could result in evidence of malpractice being concealed. Whistleblowing Charter available here

The council has a clear two stage process for handling complaints, supported by the Corporate Complaints Policy. The policy sets out guidance on logging, handling and monitoring complaints and for responding to enquiries from the Local Government Ombudsman. The aim of the process is to drive service improvement across the council by highlighting good practice and identifying lessons learnt from complaints. Complaints Policy available here

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. Management Board have strategic oversight, and as part of this role receive quarterly performance reports on compliance as part of the corporate performance report, as well as receiving ad hoc updates in response to particular issues or queries. FOI guidance available here

B. Ensuring openness and comprehensive stakeholder engagement

The council supports the principle that people should have the opportunity to voice their opinions on issues that affect them. The views of customers are at the heart of the council's service delivery arrangements and are actively sought.

Effective partnership governance and stakeholder engagement is critical to achieving the outcomes the council and partners are working towards over the next four years, as described in the Borough Plan. As well as meeting their statutory duties, partnership boards will need to provide effective governance and leadership to the delivery of the Borough Plan.

A strategic partnership board "Lambeth First" was established in 2017/18 and continued to operate during 2018/19. The Lambeth First Board brings together representatives from the public, private and voluntary sectors. It secures linkages across our thematic partnerships (e.g. Health and Wellbeing Board, Safer Lambeth Executive, Lambeth VCS forum) and maintains a long-term focus on the risks and opportunities facing the borough. Implementation of the Borough Plan will continue to be monitored by thematic partnership boards. Further information on Lambeth First available here.

The council and partners will continue to strengthen partnership boards, including the Children's Partnership Board, the YOS Management Board and SEND Strategic Governance Board to continue to support and monitor the improvement journey of Children's Services in response to findings from external inspections. The statutory LSCB is currently being redesigned following the national review of local safeguarding boards conducted by Alan Wood. The new safeguarding arrangements will be published at the end of June 2019 and the Secretary of state will be notified of these changes, alongside local partners.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

Future Lambeth: Our borough plan is the council and our partner's vision and priorities up to 2021. It sets out three strategic priorities that all partners will work towards in order to make Lambeth a stronger, fairer and more prosperous borough. More than 40 organisations, including the NHS, local businesses, universities and housing associations, worked together to develop the Borough Plan. The plan sets out our three priorities:

- **Creating inclusive growth:** We want all of Lambeth to benefit from the investment and regeneration of the Borough
- **Reducing inequality:** We want to take action to address inequalities across the borough including issues to do with health, job opportunities and quality of life
- **Building strong and sustainable neighbourhoods**: We want to maintain safe, clean and cohesive communities across the borough

Working together towards these goals has added impetus as the public sector goes through an extended period of financial contraction resulting from reductions in central Government funding, and the borough more broadly faces a period of uncertainty in the wake of the EU referendum outcome. Borough Plan available here

The council's Medium Term Financial Strategy ('MTFS') is a core part of the council's strategic framework and plays a pivotal role in translating the council's strategic plans and ambitions into action. The MTFS has been extended so it now covers a four year period. The main objectives of our MTFS are:

- Prioritise our resources in-line with the council's Borough Plan to ensure we achieve our core priorities
- Maintain a balanced budget position, and to always set a MTFS which maintains and strengthens that position
- Provide a robust framework to assist the decision making process within the council
- Manage the council's finances with a forward looking three year rolling strategy
- Deliver value for money to our tax payers
- Exercise probity, prudence and string financial control
- Manage risk, which includes holding reserves and balances at an appropriate and sustainable level as agreed by our S151 Officer
- Continually review budgets to ensure resources are targeted on our key priorities

These objectives are at the core of our current MTFS and we will ensure that these objectives are upheld throughout the duration of the MTFS and beyond.

The MTFS will continue to be updated as we gain greater certainty and clarity on the level of funding for future years. Both the Financial Planning processes, budget monitoring and savings delivery are subject to regular reviews by the Internal Audit Team.

Due to the importance of delivering savings and remaining within agreed budgets, savings are monitored on a monthly basis through the savings tracker, budget monitor and regular reports to Management Board, Cabinet Member for Finance and Informal Cabinet. The Medium Term Financial Strategy is available here.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The council has in place a robust decision making process with all reports subject to corporate clearance (Legal, Finance and Democratic Services) prior to publication in accordance with the

published procedures (which form part of the council Constitution). All reports follow a standard template which identifies the decision or action required, why the report is recommended, alternative options considered and rejected together with a details (including consultation carried out) section. The details section includes any pros and cons relevant to the proposal and deals with any supporting information that the decision maker may require in order to make a valid, legal decision. [Decision Making Guide available here](#)

The council's Overview and Scrutiny Committee manages the council's overview and scrutiny process which includes scrutinising items on the council's Forward Plan and exercising the power to call-in executive decisions, agreeing the scrutiny inquiry programme, monitoring performance and budgets, Scrutiny provides the role of the "critical friend" to the decision makers and assists in policy development, drives improvement in public services and enables the voice of the public to be heard. [Further information on Overview and Scrutiny is available here](#)

The audit committee (known as Corporate Committee) is responsible for monitoring the effective development and operation of corporate governance across the council. It provides independent assurance of the adequacy of the council's governance arrangements, including the risk management framework and the associated control environment, the authority's financial and non-financial performance.

Each service area within the council is also required to produce an annual business plan that includes what and how services are to be delivered, the cost drivers, future challenges, opportunities and risks and how they will be addressed. The plans detail the budget envelope and projected costs for the service. Budget pressures arising from services are identified through regular monitoring of budgets and work plan with action plans to address any significant in year budget variances are agreed with the council Management Board and subject to monthly progress / status reporting.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within

The performance management process helps to identify learning and development needs which are translated into personal development plans for staff. Members are also offered development opportunities, in line with their own personal development plans. The council provides a complete programme of learning and development to officers and members. Senior officers are also expected to keep abreast of developments in their profession.

The council is also actively engaged with colleagues through the London Member Development Network, which the Democratic Services Manager 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.

F. Managing risk and performance through robust internal control and strong public financial management

The council has in place a 'Risk Management Strategy and Policy 2017-2020' which sets out the framework, arrangements and responsibilities in respect of how risks relating to the delivery of key outcomes and priorities, are identified and managed. The Policy is intended to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility recognising that all employees, members and those who act on behalf of the council have a role to

play in the effective management of risk. It is also relevant to Members in their capacity as 'decision makers'.

The Policy is subject to annual review to ensure that it continues to reflect good practice and remains aligned with current business processes and practices. Any significant changes reported to the council's Corporate Committee which has responsibility to provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment and the integrity of the financial reporting and annual governance statement process. The Corporate Committee undertakes the core functions of an audit committee and operates in accordance with CIPFA guidance. Risk Management policy and strategy 2017-20 available here

Budget and performance information is reported quarterly to Management Board, Management Teams and Cabinet. In terms of performance, progress is reported against two types of indicators:

- **Borough Plan indicators** – these give an understanding as to the achievement of the three priorities in the Borough Plan. Some Borough Plan KPIs are within the council's direct control but most are not but are nonetheless important as they give an understanding of the wider wellbeing of the borough
- **Service indicators** – these are concerned with monitoring the council's performance and are aligned with service priorities. The KPIs here include those concerned with both processes and delivery and their achievement is mostly within the council's control.

The Director of Finance and Property is the council's appointed Chief Financial Officer in accordance with section 151 of the Local Government Act 1972 and the Director of Legal & Governance is the council's Monitoring Officer. These are statutory posts, responsible for delivering and overseeing the financial management and governance of the council. The Chief Financial Officer and the Monitoring Officer are both members of the Corporate Management Board. The Chief Financial Officer is responsible for financial strategy and the provision of accountancy services across the council. The Monitoring Officer is responsible, in consultation with the Chief Finance Officer and the Chief Executive, for ensuring that the council's constitution and governance arrangements operate effectively.

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The council is committed to openness and transparency and publishing as much data as possible to increase accountability. The council has an Open Data section on the website that enables the public to access the data published under the requirements of the Local Government Transparency Code (2015). This Code sets out the specific data required to be published, and the timescales by which the data must be published. All data required to be published by the Local Government Transparency Code is published. Open Data Page can be viewed here

The council's Constitution sets out how decisions are made and makes specific reference to decision making by Full council, the Executive (Cabinet) and other council bodies acting as tribunals. The council produces a Forward Plan of all Key Decisions which are proposed to be taken within the next four months (updated monthly 28 clear days prior to scheduled Cabinet meetings on a rolling basis). Other decisions are also included where practicable to assist in providing public transparency and confidence in decision making. All agendas and minutes of meetings in respect of council, Cabinet Overview and Scrutiny, Non-Executive Committees and statutory boards are published on the council's website. The Constitution also includes an Officer Scheme of Delegation which sets out the powers and functions that are delegated to named council Officers. The compilation of a Register of Delegated Powers is a statutory requirement and is maintained by the Director of Legal & Governance In addition, 'Decision Making - Corporate Standards and Guidance for Officers' is published on the internet and sets out the decision-making process, highlighting those aspects of

decision making that are compulsory and must be complied with in all respects [Further information on decision making is available here](#)

The council receives a substantial amount of assurance from the work that is undertaken by its Internal Audit Service which is charged with reviewing the adequacy of the controls that operate throughout all areas of the council, in accordance with a risk-based plan. This includes tracking of managers' progress with the implementation of control improvements which have been agreed during internal audit reviews.

Review of Effectiveness

Lambeth council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure and can therefore only provide reasonable and not absolute assurance of effectiveness.

The effectiveness of governance arrangements is monitored and evaluated throughout the year, activity undertaken includes:

- Consideration of governance issues by Directorate Management Teams and Management Board – including risk registers, counter-fraud updates and internal audit reports

- Preparation of a rolling plan of audit coverage provided by the Head of Audit and Counter Fraud which is primarily based on an assessment of the council's risk profile

- The Annual Audit Opinion which is provided by the Head of Internal Audit and Counter Fraud

- Ongoing assessment of internal management processes, including performance management and compliance monitoring

- The work of the council's governance boards and working groups, including Management Board, Sub Management Boards, Directorate and Divisional Management teams and working groups (e.g. Brexit preparedness and GDPR readiness groups)

- The independent views of regulatory inspection agencies such as Ofsted and the Care Quality Commission

- The views of external auditors, regularly reported to Corporate Committee, including regular progress reports and the Annual Audit Letter

- The work of the Corporate Committee which includes responsibility for monitoring the development and operation of corporate governance in the council

Assurance Statement

The processes as detailed above, provide good overall assurance of the council's system of internal control and that the arrangements are fit for purpose in accordance with the governance framework. We will take steps to address identified issues to further enhance our governance arrangements during 2019/20.

Governance Issues

A summary of 2018/19 governance issues and progress against previous issues is provided in the below table.

Governance issues 2018/19					
Reference	Governance issue	Source	Overview of issue and actions taken (and planned) to address the issue	Leads	Timescale
1	Procedures for responding to Subject Access Requests (SAR's)	Internal Audit / Performance Management reports	The council has a target to respond to 85% of Subject Access Requests (SARs) within the statutory 30 calendar days in line with GDPR requirements. However, performance remained below target during 2018/19. The main reasons for this continues to be the high volumes and complexity of requests particularly in Children's Services. Children's Social Care and Legal Services have recruited additional staff to improve response rates and performance.	Children's Social Care, Performance and Legal teams	Dec 19
2	Implementation of GDPR requirements	Data Protection Act 2018	The council carried out a GAP analysis to benchmark its practices against the GDPR requirements and recognised that the key to managing the risk of non-compliance is to implement a transparent process for recording the data it holds and shares, and being clear on how data is stored and managed – this would be achieved through the introduction of Information Asset Registers (IAR's). A number of activities for developing IAR's were completed as part of GDPR Readiness phase 1 at the end of September 18. The completed version of the IAR was delivered on time at the end of May 2019. Information asset risks have been identified through the IAR's and plans are being prepared to address the risks.	GDPR project group/risk owners	Dec 19

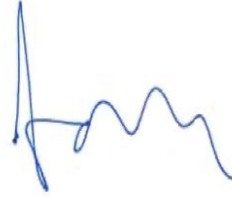|					
Progress against previous years governance issues & challenges					
3	Cyber security	Audit report	A review of the council's draft Cyber Security Strategy identified areas for improvement that could inform the Strategy prior to its completion. These included the need to define a clear vision statement as well as the current state and target operating cyber models. A follow up review in 2018/19 found improvements had been made resulting in Cyber Security now being rated as a medium risk with advisory assurance rating.	ICT and Information Governance	Closed
4	Health and Safety – Housing	Audit report	There continued to be a positive direction of travel with this issue during 2018/19. The latest follow up audit review completed in March 2019 found fewer and less severe issues in the design and operation of the controls to mitigate Health and Safety risks across all areas reviewed. The Audit report shows that the percentage of high risk areas has reduced from 33% to 17% and there is now no critical risk areas. Asbestos and Electrical Safety record management are the two areas that are currently being addressed through an ongoing improvement plan managed by the interim Head of Health & Safety.	Housing Management leads	Closed
5	Children's Social Care Improvements	OFSTED	The 2018 inspection was that Lambeth 'requires improvement' to be good. The council underwent a challenging improvement journey following the May 2015 Ofsted inspection which had assessed Children Services and LSCB as inadequate. The Adoption Service continued to be rated	Children's Improvement Board	Closed

			inadequate. A specialist Adoption agency, Coram, were brought in to conduct a thorough diagnostics exercise and the service developed a robust improvement plan. In April 2019, Ofsted conducted a focused visit to review our permanency arrangements for children and young people with a particular focus on adoption. Although no judgment was provided, inspectors were satisfied that sufficient progress had been made in the service and that there was clear management oversight and understanding of the improvements that need to be made in 19/20		
6	Youth Offending Service inspection outcomes & improvements	HMIP inspection	The 2014 HMIP inspection found the Youth Offending Service to be Unsatisfactory due to issues with workforce, case-work quality, management oversight and governance. The latest inspection completed in March 2019 reported that improvements have been made across a number of areas including, governance and leadership, staffing and assessment. The overall rating for YOS is now Requires Improvement which represents an improvement compared to previous inspections. The priority areas for improvement during 2019/20 are implementation, delivery and joint working within the out-of-court disposals process. Full inspection report available here.	YOS Management Team	Closed

Signed:

Leader of Lambeth Council

Jack Hopkins

Chief Executive - Lambeth Council

Andrew Travers