APPENDIX 1: ANNUAL GOVERNANCE STATEMENT

Annual Governance Statement 2011/2012

1.   **Scope of responsibility**
      Ealing Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

      The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code can be obtained from the Council's Monitoring Officer.

      This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 in relation to the approval of the Annual Governance Statement.

2.   **The purpose of the governance framework**
2.1   The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its 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.

2.2   The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of not fully achieving policies, aims and objectives and therefore provides a reasonable rather than 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 the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

2.3   The governance framework has been in place at Ealing Council for the year ended 31 March 2012 and up to the date of approval of the statement of accounts.

3.   **The governance framework**
      Identifying and communicating the Councils vision and intended outcomes for citizens
3.1   Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's five priorities form the basis of the Corporate Plan and Business Plans and provide focus for improvement:

- making the borough safer
- improving public services
- securing jobs and homes
- making the borough cleaner
- delivering value for money

All committee and cabinet reports are required to be referenced to one or more of these five priorities. The Corporate Plan and any amendments or updates to it are considered and approved by full council.

Measuring service quality and ensuring best use of resources

3.2 The Policy and Performance Directorate drives delivery of the Corporate Plan, working closely with Directorates to spread best practice, track performance and strengthen performance of national and local targets. The Directorate also ensures that performance statements and other published information are accurate and reliable.

3.3 There is a respected active scrutiny function managed by the Overview and Scrutiny Committee (OSC).

3.4 The Policy Team and Improvement and Efficiency Service work with all directorates and other specialist areas such as Legal, Strategic Procurement and Finance to ensure the economical, effective and efficient use of resources. The teams play a key role in supporting delivery of projects and initiatives within the Council's Value for Money programme. They also help drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency, and effectiveness. In addition to managing delivery of the Value for Money programme (reported to VFM Board and Corporate Board), the teams also deliver targeted service improvement support.

3.5 Council projects are run in line with a project control framework that defines the mandated control processes needed. Within this framework, individual departments develop their own detailed processes that reflect their different needs, risk profile and working practices. The key governance control is that each project in the Council reports into an appropriate project board or managerial group. Large projects usually have their own project board, but most large initiatives usually report to departmental level boards at Executive Director level. Smaller projects, report to Project Boards chaired in line with delegated authority levels.

3.6 The Council continues to implement an extensive efficiency/value for money programme to improve services and identify significant on-going savings in both the current and future years. This is achieved through financial management and budget proposal scrutiny, including on-going line-by-line analysis of individual budgets.

3.7 The Performance Monitor reviewed monthly at Corporate Board sets out analysis of performance against key targets and Corporate Plan commitments. A copy is also distributed to Cabinet Members. Directorate, Divisional and Service unit business plans contain a variety of performance indicators and targets. A regular review is also done to ensure that systems, processes and controls are in place

to ensure the efficient and effective delivery of high-quality services and to ensure that performance information is accurate and reliable.

3.8   Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on Performance each month. Portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month. Scrutiny monitors performance through the regular review of performance information and make recommendations for the improvement of services.

Defining roles and responsibilities

3.9   The Constitution sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to choose. The Constitution comprises eight parts which set out the basic rules governing the Council's business, as well as detailed procedures and codes of practice.

3.10   The Council's Constitution is regularly reviewed by the Monitoring Officer and any change proposals are considered by the Constitutional Review Group (an informal group of senior councillors) and advertised on the web prior to adoption by full council on the basis of a full report.   The Constitution sets out the responsibilities of both members and officers. In particular the Council has identified the following six statutory posts:
- Head of Paid Service - Chief Executive
- Chief Financial (Section 151) Officer – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children and Adults
- Director of Adult Social Services – Executive Director, Children and Adults
- Statutory Scrutiny Officer - Head of Scrutiny and Committees

3.11   The Council operates a Leader and Cabinet model of Local Government. Twenty three ward forums operate, to maximise opportunities for local engagement and participation. These forums have informal governance arrangements designed to achieve maximum flexibility and engagement. Under the ward forum arrangements, elected members lead 23 ward forums across the borough – each supported by an annual budget for local improvements. Each ward forum makes recommendations to Cabinet on how their "budget" should be spent. The final decision on spending choices is made by Cabinet.

Standards of behaviour and decision making

3.12   A Scheme of Delegation sets out the powers delegated to officers, at part 8 of the constitution. The Financial Regulations and the Budget and Policy Framework Rules are also part of the Constitution, together with the Code of Corporate Governance. The Contract Procedure Rules were recently reviewed and revised and also form part of the Constitution.

3.13   The Code of Conduct for Councillors is contained within the Constitution. This is currently being reviewed by the council's Standards Committee, supported by the Monitoring Officer, to take account of the requirements of the Localism Act 2011.

All Councillors receive regular training on the implications of the Code of Conduct and related issues. The council also has a Planning Code of Conduct and a Licensing Code of Conduct for members. Again, training is provided (and compulsory) for all members working in these areas.

3.14 The Employees Code of Conduct is also contained within the Constitution and a copy of this is provided to all new employees when they start work for the council.

3.15 The statutory Forward Plan is published monthly on the internet, and details all key decisions proposed to be made by the council during the relevant period. Any key decision which is not on the Forward Plan may not be taken within that period, unless the report author is able to demonstrate to the Monitoring Officer and relevant members that urgency procedure requirements are met. Any urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to full council. All Cabinet and Committee reports which have significant financial or legal implications must be "signed off" by a finance and a legal services officer, as well as by the responsible service director, before they are accepted onto a meeting agenda. Where draft reports fail to address key requirements they are either amended or rejected and removed from the agenda as part of the approval process. Both reports and minutes of all decisions taken are published on the internet, including the reason for the decision.

3.16 The Council has a Regulatory Committee that oversees the regulatory functions of the Council such as those concerning elections and planning. In some cases, like planning and licensing, specific committees have been appointed to consider these matters in more detail.

Whistleblowing and complaints

3.17 The Standards Committee has nine members, four of whom are independent of the Council including the chair, in line with best practice and legislative requirements. The Committee reviews and oversees member development and the Council's Whistle Blowing Policy. The Committee also deals with matters of member conduct, including complaints. The committee submits an annual report on its work to full Council. The Council's standards arrangements are being reviewed, to take account of changes to be introduced as a result of the Localism Act 2011.

Training and Development

3.18 A full Member training and development programme is in place and there is a comprehensive induction programme for all councillors within the first few weeks of their election to office. Training on the Council's Code of Conduct for Councillors is compulsory and all Councillors have now completed the training. The Council has adopted specific Codes of Conduct for councillors involved in planning or licensing decision-making and these councillors receive additional training in these areas as a precondition of their participation.

Communication and Consultation

3.19 Regular consultation is also undertaken with residents to ensure that the authority makes decisions based on resident requirements and feedback regarding general provision and quality of service. A residents' survey is undertaken biannually. The last survey was undertaken in September 2010, the next will take place September 2012.

3.20 There is a corporate induction programme in place for staff and one for new managers, supplemented by various internal training courses and e learning modules with information regarding current policies and procedures held on the intranet.

Partnerships

3.21 The Council contributes to the delivery of the Local Strategic Partnership's Community Strategy that sets out a vision for the borough of Ealing over the next 10 years. The Council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership's (LSP) Community Strategy. The Council is therefore better able to relate its own performance to the outcomes it seeks for the borough. This also facilitates greater alignment of priorities between the Council and other key partners and service delivery agencies, such as NHS Ealing and the Police.

3.22 The Council clarified its definition of partnership as set out in its Constitution to ensure alignment to the Audit Commission's definition and to recognise operational realities. Work has been undertaken to identify and assess key partners and ensure that robust protocols are in place for partnership working. In conjunction with performance, legal and procurement a list of significant partners has been agreed. This list was reviewed and agreed by the Audit Commission. Evidence has been gathered to support good governance arrangements for these significant contractors. Assurance is gained through the Contracts Review Board and internal audit reviews.

Ensuring compliance with established policies, procedures, laws and regulations.

3.23 Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the Council's Corporate Plan and LSP's Community Strategy. Regard to equality, diversity and human rights duties are embedded in the budget setting and business planning process, and templates for each require that officers and Members take into consideration in an appropriate manner the equality, diversity and human rights impacts of proposed decisions. The Council's approach is to embed equality and diversity within all of its work so that equality considerations are part of day-to-day management. The Corporate Board take regular updates on progress and developments in relation to implementation of the Equality Act, and the Cabinet report process and proforma have been amended to ensure that Service Directors sign off on service-related EIAs before Cabinet pre-agenda, and that salient points from EIAs carried out on Cabinet reports are included in the body of the Cabinet reports. Proposals that impact on staffing/workforce are currently signed off by an HR Equality specialist before submission to cabinet or action.

3.24 Until recently, the Comprehensive Area Assessment (CAA) aimed to provide an overall assessment of the Council, based on assessments of performance and use of resources. This has recently been abolished by the coalition Government. No replacement framework is planned at this time.

3.25 The Carbon Reduction Commitment (CRC) scheme was initially devised as a carbon dioxide emissions allowance purchase and trading scheme to compel

organisations to reduce their carbon footprint and help meet UK targets of reducing greenhouse gas emissions by 2050 by at least 80% compared to the1990 baseline. As a consequence of the Spending Review, Government changed the scheme and now requires a payment for all carbon dioxide emissions from all stationary sources, including schools. No payments will be recycled back to organisations, and the money will now support public finances. On account of this change, from April 2012 the council's annual exposure is estimated to exceed £400,000 (at £12/tonne CO2). This unit cost is likely to increase with time, with forecasts of £18/tonne CO2 by 2016. Inaction will increase the annual exposure, which could rise to £600K or more. This cost combined with the increasing cost of energy illuminate the urgency for the council to reduce its energy consumption. In order to deal with actions specific to energy consumption and supply, the Sustainability Board created the Carbon Management subgroup. This group has been charged with navigating compliance with the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme (CRC) and developing projects that will reduce the council's exposure to the costs of the scheme.

3.26   All critical services have business continuity plans, all non-critical services have been reviewed. A North West London emergency exercise was undertaken in January 2012 to test Olympic preparations, emergency planning and business continuity. Several more borough, North West London and pan London exercises are planned before the start of the London 2012 Olympic Games. Business Continuity guidance and templates are being prepared for significant contractors and partners.

3.27   The Minimum Standards for London Tranche 2 have been adopted as the guide to measure emergency planning and business continuity arrangements. Tranche 2 arrangements have been implemented and have been accessed via a peer review. A borough wide risk assessment has been undertaken and used to produce a Community Risk Register, that identifies the key risks for West London. In January 2012 an Olympic Minimum Standards for London was issued, which Ealing are compliant with. An Olympic borough risk register has been produced with emergency partners and forms the bases of borough Olympic planning.

3.28   The Council has a Medium Term Financial Strategy, which is reviewed and updated annually as part of the budget setting process to support the achievement of the Council's corporate priorities. The budget and policy framework outlines the process and timetable to be followed each year when setting the Council's budget. The financial management framework includes regular budget monitoring reports to Financial Strategy Group, Departmental Management Teams, Corporate Board and Cabinet.

3.29   The budgeting process requires departments to submit budgets that are aligned to the Council's objectives, and which are based on a required savings target. Through the year Cabinet Members receive a monthly Finance Monitor; this shows the position for each department and what is being done to address potential overspends. In addition a quarterly finance and budget update report is produced for Cabinet.

3.30 The Council's governor support service provides training, membership advice and guidance on key issues affecting schools and governors. All schools have the option to buy into the bursarial service.

3.31 Due to the devolved nature of schools finances there is close liaison between the Education Department and Internal Audit. The Financial Management System in Schools inspection regime has been abolished and the Council is now placing greater emphasis on risk based probity audits. The current cyclical approach to schools audits ensures each school is audited at least once every three years.

3.32 The Chief Financial Officer provides annual assurance that the systems and processes in schools are robust and that expenditure is appropriate.

4. Review of effectiveness

4.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

4.2 The Council's review of the effectiveness of its system of internal control is informed by:
- The review of Internal Audit by External Audit on the extent to which they place reliance on key financial systems work done by Internal Audit;
- A review of the effectiveness of its system of internal audit;
- Performance against targets;
- Letters of representation;
- Customer quality assurance questionnaires; and
- A review of the previous year's AGS.

4.3 The review of the effectiveness of the Council's governance framework is informed by the work of the Executive Directors who have responsibility for the development and maintenance of the governance framework, the Head of Audit and Investigation's annual report, comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Working Group (AGSWG) considers these sources of information and formulates the Annual Governance Statement.

4.4 The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the Annual Governance Statement and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The draft Annual Governance Statement is reviewed by the AGSWG to ensure early robust challenge. The AGSWG also undertook a review of the 2010/11 AGS, in particular the disposition of the significant governance issues identified.

4.5 The remit of the Audit Committee is to:
- provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- provide independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment; and
- oversee the financial reporting process.

4.6   This remit was extended in April 2009 to include governance. In October 2009 in response to the new CIPFA statutory backed Treasury Management Code of practice the Audit Committee was assigned specific responsibility for scrutiny of the Council's treasury management function. The Audit Committee also reviews Internal Audit performance against targets and quality assurance results. Since its inauguration, the Committee has worked in tandem with the Ealing Council Audit Board ("the Audit Board"). The results are reported formally to the Committee's meeting and to Council. The Committee has recruited an independent member in line with best practice.

4.7   The Audit Board was established in 2005 and comprises of senior officers. The Audit Board meets throughout the year and seeks to strengthen the assurance framework of the Council. Internal Audit and Investigation provides progress reports on internal control and counter fraud to the Audit Board. Officers are also held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Following amendment of the ToR for the Corporate Risk Management Forum, the ToR for the Audit Board were amended to include review of the effectiveness of the risk management framework and the profile of the Council's strategic risks.

4.8   All staff, in particular managers, are responsible for ensuring that laws and regulations are complied with and that the authority's policies are implemented in practice. The Monitoring Officer and the Legal Services Team monitor compliance with, and awareness of, key laws and regulations. Executive Directors, Directors and Service Heads are responsible for monitoring implementation of the Council's policies.

4.9   One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of annual letters of representation by senior officers. LoR were sent to 19 senior officers.

➢   Executive Directors were asked to compile their letter after reviewing the letters of representation from their directors.
➢   Directors were asked to compile their letter after taking assurance from their direct reports.

4.10   The response rate was 100% and out of the dataset of 30 questions 0% of the questions received a failure rate of more than 10%.

4.11   Letters of Representation from Executive Directors and Directors, including the Monitoring Officer for the year ended 31 March 2012 stated that they are aware of their responsibilities and had complied with the Council's policies and procedures. In particular they stated that the internal controls for the area under their responsibility were sufficient to provide reasonable assurance of effective financial and operational control. They also stated that their review of the operation of the system of internal control confirmed that it had been working effectively and had been complied with in all material respects. The letter of representation process in no way absolved officers of their responsibility to continue addressing issues noted.

5. Significant governance issues

Table 1 2011-12 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
1. Data Protection Breach The Information Commissioner's Office served the Council with penalties for serious breaches of the Data Protection Act.	The Council contacted affected individuals and put in place significantly improved policies for information security. The Council also agreed to consider an audit by the ICO. **Update** The updated policies and procedures were communicated to the organization. In addition a comprehensive Self-Assessment Audit ("SAA") was undertaken, appropriate and necessary remedial actions were undertaken as a result of the SAA. The process is now bedding in and is being kept under review.	Director of Business Services Group	In place

Table 1			
2011-12 Governance Issues			
Issue	**Actions**	**Officer Responsible**	**Timescale**
2. Equality Impact Assessment (EIA) Development and Sign Off Weaknesses in the system of internal controls over publication, compliance monitoring and reporting of EIAs were identified which put the Council's objectives at risk.	Recommendations were made to address identified weaknesses and agreed with officers in the affected areas. The implementation status of all audit recommendations and in particular these recommendations will be monitored by the Audit Board and Audit Committee along with senior managers in the area. Officers will be called in to Audit Board and Audit Committee to provide explanations where implementation is not carried out within the agreed timescale. **Update** Actions have been taken to improve, reporting, awareness and the process for collection and publication of EIAs	Acting Director of Policy and Performance	September 2012

3. **Pupil Places** The Council has a statutory duty to secure sufficient school places. Current projections for pupil places indicate that Ealing is facing a shortfall of between 40 and 50 forms of entry (FE) for primary pupil places by 2015. The existing expansion programme will provide 24 additional FE so the net shortfall may be between 16 and 26 FE. . At secondary schools it is projected that by September 2019, there will be a need for between 12 and 25 additional FE (this takes into account the establishment of the new high school in Greenford and expansions at two secondary schools). It is anticipated that around 300 additional specialist provision places will be required by 2024/25 at primary and secondary school age groups. In the shorter term (by 2015) expansions of primary aged provision are required This issue is also highlighted on the Councils Strategic Risk Register.	Regular ongoing monitoring and reporting is being undertaken by members, senior manager and directors on a fortnightly and monthly basis. The Council is investing £122m in developing new primary school places to provide an additional 24FE and is currently considering the implications of the latest information, i.e. that between a further 16 and 26FE may be required beyond the current programme. Officers are reviewing options for delivering expansion of secondary school places, looking at the most cost effective ways in which additional places may be provided (further to the cancellation of the Building Schools for the Future programme). A consultation on SEN expansion will take place in Spring 2012 and this will help inform the priorities for investment in SEN provision.	Assistant Director: Schools Planning & RD	Ongoing to 2020

4. Budget Savings As part of the budget process leading up to Council tax setting in February 2012 savings of £79m over four years (2011/12 – 2014/15) were identified. These savings will be monitored closely over the next three years to ensure delivery by the service departments.	Savings tracker monitored monthly at FSG. Quarterly budget monitoring reports for Cabinet. Review annually at the Star Chamber. Detailed implications of all savings proposals are investigated and considered at an early stage in the decision making process. **Update** On going actions	All EDG for Service delivery Monitoring reports and process DCF&A	Throughout next 3 years
5. Use of Consultants and Interims Use of consultants, interims or other temporary staff in the public sector has received substantial media interest recently. The arrangements for the appointment of non permanent staff should be reviewed to ensure systems are robust.	The organisation will undertake a review of the processes in place to appoint non permanent staff. The review will focus on ensuring the best use resources, VFM and a system that is robust, transparent, consistent and accountable.	Assistant Director HR and OD	December 2012

Signed …………………..

Chief Executive – Ealing Council
Martin Smith
September 2012

Signed …………………………..

Leader of the Council
Julian Bell
September 2012