

Appendix A

Ealing Council Draft: Annual Governance Statement 2016/17

1. Scope of Responsibility

- 1.1 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.
- 1.2 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, which includes arrangements for the management of risk.
- 1.3 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 located on Ealing Council's Internet website at https://www.ealing.gov.uk/download/downloads/id/2550/corporate_code_of_governance.doc, or can be obtained from the Monitoring Officer.
- 1.4 This statement explains how the council has complied with the code and also meets the requirements of regulation 6(2) Accounts and Audit Regulations 2015, in relation to the approval of the Annual Governance Statement. It also highlights how the council's financial management arrangements conform to the governance requirements of CIPFA's *Statement on the Role of the Chief Finance officer in Local Government (2010) as set out in the December 2012 Addendum / delivering good governance in Local Government: Framework*.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled 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** Ealing Council operate a number of group companies to deliver certain services. Group companies are assessed as part of the risk based internal audit planning process to ensure adequate assurance can be provided to the Council regarding the control environment these bodies operate in.
- 2.4** The governance framework has been in place at Ealing Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

Creating and Implementing a Vision for the Local Area

- 2.5** Ealing Council has put in place arrangements regarding the key systems and processes that comprise its governance framework. The administration's six priorities form the basis of the Council's Corporate Plan 2014 – 18 and provides focus for improvement. The Corporate Plan specifically seeks to make Ealing:
- Prosperous
 - Healthier
 - Safer
 - Cleaner
 - Fairer
 - Accessible

All Cabinet and Committee reports are required to be referenced to one or more of these six priorities. The Corporate Plan and any amendments or updates to it are considered and approved by Full Council.

Looking to the future the council has committed to an outcome led approach to strategic planning to better align resources with priorities and meet the challenges the Council faces. This work is being delivered through a programme called Future Ealing which was agreed by Cabinet in March 2017 and will form the basis for the strategic planning framework used to engage the administration returned after the local elections in May 2018.

Roles and Responsibilities of Members and Officers

- 2.6** 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 and the Contract Procedure Rules. The Constitution is reviewed regularly, with all changes approved by the Council and published on the external website.
- 2.7** The Code of Conduct for Councillors is contained within the Constitution. All councillors receive training on the requirements 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. Both of these codes are subject to ongoing revision and training is provided (and compulsory) for all members working in these areas.
- 2.8** The Employee 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.
- 2.9** 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. All urgent decisions taken are monitored by the Monitoring Officer and regular reports taken to Full Council.
- 2.10** 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.
- 2.11** 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.

Standards of Conduct and Behaviour

- 2.12** Good governance means promoting appropriate values for the council and demonstrating the values of good governance by upholding high standards of conduct and behaviour. The following describes how the council achieve this:
- 2.13** All members and chief officers are required to complete an annual statement relating to third party transactions and a register of members' interests, which is updated by members, is maintained and published on the Council's website.
- 2.14** The Ealing Council Code of Conduct for Members (Constitution Part 5), revised in April 2014, defines the standards of conduct expected of elected representatives including a requirement for members to declare any interests at the start of every meeting, which are recorded in a public register.
- 2.15** In addition, the following codes, protocols and systems are well established within the council. All are regularly reviewed and updated to account for developments in governance arrangements and changes in local government.

These include:

- A declaration of interest process for members and senior officers as described above;
- Rules and protocols are in place and are being further developed for all partnership working;
- Organisation-wide performance appraisal and employee development schemes are in operation;
- There is a corporate complaints procedure in place in line with Ombudsman good practice requirements;
- Whistle-blowing, anti-fraud and anti-corruption / bribery policies are in place and publicised in compliance with the national transparency agenda; senior officers' remuneration is published on the council website.

Decision Making, Scrutiny and Risk Management

- 2.16** Good governance means taking informed and transparent decisions that are effectively scrutinised and which manage risk. The following describes how the Council achieves this:
- 2.17** The Leader and Cabinet are responsible both individually and collectively for all 'executive' decisions. Operational matters requiring a decision are delegated to council officers as outlined in Part 3 of the Constitution – 'Responsibility for Functions'

- 2.18** All forthcoming 'Key' decisions by Cabinet are published in the Cabinet's Forward plan and republished every month on the Council's website.
- 2.19** Reports and minutes of meetings are also published on the council's website. This includes delegated decisions made by individual Cabinet Members and urgent decisions. Such delegated decisions are reported to the next formal meeting of Cabinet.
- 2.20** The council has an Audit Committee with clear terms of reference and an annual work programme for internal audit and risk management.
- 2.21** The Council maintains an Internal Audit and Risk Management service that operates in accordance with the published internal audit standards expected of a local authority in the United Kingdom. The Head of Internal Audit has direct access to the Chief Executive, the Section 151 Officer and the Chair of the Audit Committee.
- 2.22** An embedded Risk Management Framework is in place, with each Directorate maintaining a risk register. The risk management framework was reviewed in November 2016 and approved by Corporate Board and the Audit Committee.
- 2.23** Robust business continuity management arrangements exist within the council, with all critical services having business continuity plans in place. The Minimum Standards for London Tranche 1 and 2 have been adopted as the guide to measure emergency planning and business continuity arrangements. These arrangements have been implemented and have been assessed via a peer review.
- 2.24** The council has a three year 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 the Financial Strategy Group, departmental management teams, Corporate Board and Cabinet.
- 2.25** The budgeting process requires departments to submit budget proposals that are aligned to the council's objectives, and which are based on a required savings target. Throughout the year, Cabinet Members receive a monthly Finance Monitor which shows the financial position for each department and what is being done to address potential overspends. In addition a Savings Tracker that monitors the delivery of agreed savings is also presented. In addition a quarterly finance and budget update report is produced for Cabinet.

Developing the Capacity & Capability of Members and Officers

- 2.26** Good governance means developing the capacity and capability of members and officers to be effective. The following describes how the council achieves this:
- 2.27** 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. 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 pre-condition of their participation.
- 2.28** There is a corporate induction programme, most of which is e-learning based, in place for staff, and one for new managers, supplemented by various internal training courses and a borough coach tour. Key information and policies are highlighted to new staff and managers and held on the intranet.

Engaging with Local people and Stakeholders

- 2.29** The council's strategic planning priorities are directly aligned with those of the Local Strategic Partnership (LSP). 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.
- 2.30** The council includes a definition of a partnership within its Constitution. 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. 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.
- 2.31** Commitments to deliver against our responsibilities in relation to equality and diversity feature strongly in the council's Corporate Plan. Regard to equality, diversity and human rights duties is 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. Corporate Board takes

regular updates on progress and developments in relation to implementation of the Equality Act, and the Cabinet report process and pro-forma have been amended to ensure that service directors sign off on service related equality assessments before Cabinet pre-agenda. All salient points from equality assessments carried out on Cabinet reports are included in the body of the report. Proposals that impact on staffing / workforce are signed off by HR Business Partners before submission to Cabinet for action.

3. Review of Effectiveness

- 3.1** The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.
- 3.2** The council's review of the effectiveness of its system of internal control is informed by:
- Annual Assurance Opinion of the Head of Internal Audit.
 - Performance against targets;
 - Annual Assurance Statement; and
 - A review of the previous year's Annual Governance Statement.
- 3.3** The review of 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 environment, the Head of Audit and Investigations' Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates. The Annual Governance Statement Working Group (AGSWG) considers these sources of information and informs the creation of the Annual Governance Statement.
- 3.4** The AGSWG consists of senior officers from multi-disciplines with responsibility for the preparation of the AGS and relevant supporting evidence. The AGSWG meets on a regular basis during the year to ensure compliance with the corporate timetable. The AGSWG also undertook a review of the 2016/17 AGS, in particular the disposition of the significant governance issues identified. The key evidence to support the review of effectiveness is outlined below:
- 3.5 Planning** – The Strategy and Engagement Directorate drives delivery of the Corporate Plan, working closely with directorates to spread best practice, track and strengthen performance. The Directorate also ensures that performance statements and other published information are accurate and reliable.
- 3.6 Performance Management** – The Strategy and Engagement Directorate works with all directorates to monitor performance against the agreed corporate

performance indicator suite. It also helps drive continuous improvement in the way in which functions are exercised, by having regard to a combination of economy, efficiency and effectiveness. In addition, a number of governance mechanisms are in place to support performance management across the council, including: monitoring the delivery of the corporate plan; Savings Tracker; Strategic Projects Board; Board Performance Monitor; and, the Budget Steering Group.

- 3.7** 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 of managerial group. Large projects are governed by the Strategic Projects 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.
- 3.8** 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.
- 3.9** 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 completed 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.
- 3.10** Members play a regular role in performance management, providing challenge to officers. Cabinet receives a report on performance each quarter. Cabinet portfolio holders have weekly meetings with Executive Directors and review finance and performance indicators each month.
- 3.11 The Cabinet** – The council operates a Leader and Cabinet model of local government. Cabinet has eight members; each member has a specific area of responsibility known as a ‘portfolio’ and is accountable for the council’s decisions. Cabinet carries out all the local authority’s functions which are not the responsibility of any other part of the local authority.

3.12 Shadow Cabinet – There is a Shadow Cabinet comprising members of the largest opposition party. The Shadow Cabinet has access to all relevant documents and officer advice and its proceedings shall take place in accordance with the Access to Information Procedure Rules in part 4 of the Council's Constitution.

3.13 Regulatory Committee – To take an overview of regulatory functions such as development control, licensing, parliamentary proceedings, election, registration and inspection of homes and member training. To exercise any Cabinet function referred to it.

3.14 Overview and Scrutiny Committee – There is a respected and active scrutiny function managed by the Overview and Scrutiny Committee (OSC) to discharge the functions conferred by section 21 of the Local Government Act 2000. Scrutiny committees oversee and scrutinise the decisions made by Cabinet and Cabinet members under delegated powers.

3.15 The Standards Committee – The Standards Committee has six members, including an independent (non-voting) chair. In line with regulatory requirements, the committee is supported by two independent people. 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 were revised in 2012 to take account of changes to be introduced as a result of the Localism Act 2011. 3 complaints were made concerning Councillors in 2016-17, all of which were reviewed by the Director of Legal and Democratic Services. None of the complaints were required to be referred for investigation following these reviews.

3.16 The Audit Committee – The council has a well-established Audit Committee that provides independent, effective assurance on the adequacy of the council's governance environment. All major political parties are represented on the committee.

3.17 The Audit Committee met regularly during 2016/17, considering reports, including the Annual Internal Audit Report, from the Head of Audit & Investigation and the External Auditor.

3.18 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 exposure to risk and weakens the control environment; and
- Oversee the financial reporting process.

3.19 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 and to Full Council.

3.20 The Audit Board has been in place since 2005 and comprises of senior officers. The Audit Board meets quarterly 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. As and when required, officers are held to account by the Audit Board through the use of challenge sessions to focus on any areas of weakness or non-compliance. Audit Board also reviews the effectiveness of the risk management framework and the profile of the council's strategic risks.

3.21 Statutory Officers – 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 sets out the basic rules for governing the council's business, as well as detailed procedures and codes of practice.

3.22 The 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 presentation of a detailed report. The Constitution sets out the responsibilities of both members and officers. In particular the council has identified the following five statutory posts.

- Head of Paid Service – Chief Executive
- Chief Financial Officer (Section 151) – Executive Director, Corporate Resources
- Monitoring Officer – Director of Legal and Democratic Services
- Director of Children's Services – Executive Director, Children, Adults and Public Health.
- Director of Adult Social Services – Executive Director, Children. Adults and Public Health.

3.23 Management – Each Executive Director has provided a self-assurance statement in respect of 2016/17, supported by assurances received from their direct reports, that:

- They fully understand their roles and responsibilities;
- They are aware of the principal statutory obligations and key priorities of the Council which impact on their services;
- They have made an assessment of the significant risks to the successful discharge of the Council's key priorities; and
- They acknowledge the need to develop, maintain and operate effective control systems to manage risks.

3.24 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.

3.25 One of the key elements in obtaining the required internal controls assurance for the Annual Governance Statement is the completion of the Annual Assurance Statement by senior officers. The Statement noted that for the year ended 31 March 2017, senior officers were aware of their responsibilities and had complied with the council's policies and procedures.

3.26 Executive Directors were asked to compile their statement after reviewing the statements from their direct reports. Direct reports were asked to compile their statement after taking assurance from their senior management teams.

3.27 Internal Audit – The council takes assurance about the effectiveness of the governance environment from the work of Internal Audit which provides independent and objective assurance across the whole range of the Council's activities. It is the duty of the Head of Audit and Investigations to give an opinion, at least annually, on the adequacy and effectiveness of internal control within the Council. This opinion has been used to inform the Annual Governance Statement.

3.28 The Head of Audit & Investigations provided his annual report to the Audit Committee on the May 24 2017. This report outlined the key findings of the audit work undertaken during 2016-17, including areas of significant weakness in the internal control environment.

3.29 An assurance mechanism is used to reflect the effectiveness of the council's internal control environment. The table below details the four levels of assurance provided:

Level	Definition
Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
None	Control processes are generally weak leaving the processes / systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / systems open to error or abuse.

3.30 It is the opinion of the Head of Audit and Investigations that, taking into account all available evidence, there is reasonable assurance over the adequacy and effectiveness of the council's overall internal control environment during the financial year 2016-17.

3.31 External Audit – KPMG LLP is currently the council's appointed external auditor. As well as an examination of the council's financial statements, the work of the council's external auditor includes an assessment of the degree to which the council delivers value for money in its use of resources.

3.32 Risk Management – The council managed its risks during 2016-17 in accordance with the approved Risk Management Policy. Corporate Board formally considers risks, with quarterly reports also being presented to the Audit Committee.

3.33 The indicative Internal Audit Plan for 2016-17, presented to the Audit Committee in February 2016, is chiefly based upon the key risks faced by the council as identified in the corporate and directorate risk registers, such that

Internal Audit will provide assurance on the effectiveness of the internal control framework during 2016-17.

3.34 Developing Capacity – The council has operated procedures during the period covered by this statement to ensure the training needs of staff are assessed against core competencies and any key training needs are met. Additionally the council has provided and makes available ongoing training opportunities to councillors to enable them to effectively fulfil their duties as councillors of the council.

3.35 Engagement – 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.

4. Significant Governance Issues 2016/17

4.1 Based on the Council's established risk management approach, the issue detailed below has been assessed as being significant for the purpose of the 2016/17 Annual Governance Statement. We propose over the coming year to take steps to address the above matter to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and progress will be monitored throughout the year.

Table 1 2016/17 Governance Issues			
Issue	Actions	Officer Responsible	Timescale
1. Emergency Accommodation The Benefit Cap increases the numbers of homeless households thereby increasing the cost to the General Fund of providing emergency accommodation.	A strategy has been developed and implemented, the key elements of which includes the additional acquisition of affordable direct lettings / hostel accommodation and a private Sector Allocation Policy to prioritise movement of non-self-contained B & B for families in Bed & Breakfast accommodation of 6 weeks or over. This issue is subject to bi-monthly review.	Executive Director of Regeneration & Housing	Ongoing to 2017

<p>2. Budget Pressures – Adult and Children’s Services</p> <p>Demand pressures in adult and children’s services results in significant budget pressures for the Council.</p>	<p>Children's Services</p> <ul style="list-style-type: none"> ▪ Plans are in place to respond to increased demand on services & placement availability. ▪ Robust, continuous and regular monitoring of priorities and budgets, to forecast service demand enabling budget holders to continually review and respond to changes. ▪ Brighter Futures programme being implemented to reduce the numbers of Looked After Children and reduce placement costs. <p>Adult Services</p> <ul style="list-style-type: none"> ▪ Strategic planning for demand management via corporate budget setting process. ▪ A prevention programme using Transformation funding being developed. ▪ Plans are in place to respond to increased demand on services & placement availability. ▪ Robust, continuous and regular monitoring of priorities and budgets, 	<p>Executive Director of Children, Adults’ and Public Health</p>	<p>Ongoing to 2017</p>
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	to forecast service demand enabling budget holders to continually review and respond to changes.		
3. Council Owned Companies The Council wants to increase the assurance it receives from some Council-owned companies. This will continue to emerge as a risk as some take on larger projects.	A Council Owned Companies Governance Group has been established and is meeting monthly to gather sufficient assurance from the Council's perspective on Council Owned Companies	Chief Executive (Via Companies Governance Group)	Ongoing

Conclusion and Evaluation

As Leader and Chief Executive, we have been advised of the implications of the results of the review of the effectiveness of the Council's governance framework.

Our overall assessment is that this Annual Governance Statement is a balanced reflection of the governance environment and that an adequate framework exists within the London Borough of Ealing to ensure effective internal control is maintained.

We are also satisfied that there are appropriate plans in place to address the weaknesses and ensure continuous improvement in the system of internal control.

Signed.....

Chief Executive – Ealing Council
Paul Najsarek

Signed.....

Leader of the Council
Cllr. Julian Bell