

Executive Summary

Hackney Council is committed to improving the lives of all residents, creating opportunity and prosperity for local people and business, a community that is open, cohesive, safer, supportive and environmentally sustainable. This commitment is set out in the Council's Corporate Plan and describes how the Council will meet the challenges ahead and make the most of opportunities.

To be successful the Council must have a solid foundation of good governance and sound financial management. Hackney's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by an assurance framework that sets out how and what the Council will seek to obtain assurance on. A copy of Hackney's Local Code of Corporate Governance can be found on the Council's website at:

<http://mginternet.hackney.gov.uk/documents/s64917/Code%20of%20Governance.pdf>

Each year the Council is required to produce an Annual Governance Statement which describes how its corporate governance arrangements, set out in the Local Code, have been working. This statement provides assurances on compliance for the year ending 31 March 2020, up to the date of approval of the statement of accounts.

During 2019/20 the review of governance identified areas for improvement, an action plan has been developed which sets out how we will manage the four most significant issues. Details of the issues identified in 2019/20 and how the 2018/19 issues were addressed are provided at Appendix 1.

We are satisfied that the steps set out above have addressed the need for improvements that were identified in the review of effectiveness. We will continue to monitor their implementation and operation as part of our next annual review.

We recognise the importance of having a solid foundation of good governance and sound financial management and are committed to addressing the matters highlighted in this statement, and to further enhance our governance arrangements. We confirm we have been advised of the implications of the review by senior management, Internal Audit and the Audit Committee and are satisfied that the steps outlined in this document will address the areas for improvement.

The COVID-19 pandemic that hit the whole country in early 2020 is having a huge impact on the Council, its workforce, residents, partners and other stakeholders. It is yet to be seen how the future will look when we emerge from these unprecedented times, however, we are confident that good governance, democratic accountability and transparency continues in Hackney even during this crisis.

Signed on behalf of Hackney Council:

Phillip Glanville
Mayor

Tim Shields
Chief Executive

Ian Williams
Group Director of Finance &
Corporate Resources

31 May 2020

Scope of Responsibility

Hackney Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. It 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, which includes arrangements for the management of risk.

The Council has in place a local Code of Governance which sets out its commitment to good governance and is consistent with the principles of governance set out in the governance guidance produced by CIPFA/SOLACE, Delivering Good Governance in Local Government (2016). The Code sets out the arrangements the Council has in place which demonstrate that the principles of good governance are embedded within the way the Council conducts its business.

The Council's governance arrangements are under continuous review for appropriateness and effectiveness. The Council is committed to the ongoing strengthening of its governance arrangements and will consider other new initiatives that will impact on its governance arrangements in future reviews.

Review of the Effectiveness of Hackney's Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the authority is directed and controlled 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.

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and into the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, external auditors and other review agencies. Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, shared service arrangements and arm's length bodies.

The system of internal control is a significant part of the framework and is designed to manage risks to a reasonable level. 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 and impact of those risks being realised and to manage them efficiently, effectively and economically. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Annual Governance Statement incorporates the continuous review of the effectiveness of our governance arrangements throughout 2019/20. It identifies those areas where we can and will do more to ensure that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving

lives of all residents and creating opportunity and prosperity for local people and businesses.

This statement is an honest appraisal of our governance framework and shows that Hackney has adequate arrangements in place that generally comply with the Council's Local Code of Corporate Governance, and shows that we have met our legal and statutory obligations to our residents. The external auditor has continued to be positive about our arrangements to secure value for money and provided an unqualified opinion on the Council's Statement of Accounts for 2018/19. The 2019/20 opinion is pending and this statement will be updated once received. 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 to achieve policies, aims and objectives and therefore, can only provide reasonable and not absolute assurance of effectiveness.

The governance framework has been in place at Hackney Council for the year ended 31 March 2020 and up to the date of approval of the annual report and statement of accounts.

Adequate assurance can be given that the system, process or activity should achieve its objectives. The Council is currently aware of issues that could affect its financial position such as, but not limited to, ongoing cost pressures associated with the delivery of Children's and Adult Social Care services, the Ofsted and Quality Care Commission inspections that identified failings in some areas and the recent COVID-19 pandemic which has affected the whole country and is expected to have a significant impact on the Council in the coming year.

[Directorate reviews of governance arrangements](#)

Each directorate management team completed an assurance matrix in order to demonstrate that they have in place the key elements of a robust controls and governance framework. These matrices were considered by each management team and on the basis of this review, each Group Director has signed an Assurance Statement to accompany the assurance matrix. Internal Audit reviewed the returns from each directorate and assessed these alongside other sources of assurance.

[Audit Committee role in governance arrangements](#)

The Audit Committee receives reports throughout the year that support its oversight of governance within the Council including: -

- Corporate and directorate risk registers
- Performance of the Council and Audit & Anti Fraud Service
- Review of the final accounts
- Review of the Annual Governance Statement
- Reports on Treasury Management

The Committee undertakes an annual self-assessment and this is reported to the full Council. An ongoing development programme is provided to committee members to support them in executing their responsibilities and to ensure that the committee continues to be effective.

[Review and update of the Constitution](#)

The Constitution is regularly reviewed and updated, this was last revised in June 2019.

[Report by the Standards Committee on its activities](#)

During the year the Standards Committee considered reports on: -

- Annual Report on Compliance with Guidance on Members' Use of ICT
- Review of the Register of Members' and Co-optees Declaration of interests
- Safety arrangements for Member surgeries
- Review of the Member complaints process and form/toolkit
- Review of the number of complaints about Members
- Update on the outcome of the Committee of Standards in Public Life Consultation

Overview and Scrutiny

The Scrutiny Panel is in place to review and inform decisions that are made by the Mayor and Cabinet. There are four Overview and Scrutiny Commissions that report through the Panel with the following remits: -

- Children and Young People
- Health in Hackney
- Living in Hackney
- Skills, Economy & Growth

Two significant scrutiny reviews took place during 2019/20: -

- Living in Hackney Commissions' scrutiny review examined the practices and approaches of different housing associations operating in the borough and the relationship and partnership arrangements between housing associations and the Council
- Health in Hackney Commissions scrutiny review explored digital-first primary care and implications for GP practices.

Whilst a number of assurances have been obtained to support this conclusion, it is important that the following specific assurance of the Interim Head of Internal Audit & Corporate Risk Management are considered to support this statement.

Opinion of the Interim Head of Internal Audit & Corporate Risk Management

In accordance with the Accounts and Audit Regulations 2015 and the Public Sector Internal Auditing Standards (PSIAS), the Interim Head of Internal Audit & Corporate Risk Management, who is the Council's chief audit executive, is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils' risk management and control framework, and through the Audit & Anti Fraud Service deliver an annual programme of risk based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control. The chief audit executive is satisfied that sufficient work has been undertaken during 2019/20 to draw a reasonable conclusion on the adequacy and effectiveness of the Council's arrangements based on the work performed during 2019/20 and other sources of assurance

The chief audit executive, having reviewed the available evidence, is satisfied that the Council has good foundations in place and is of the opinion that adequate assurance can be taken that the Council's risk management, internal control and governance processes, in operation during the year to 31 March 2020, generally conform with best practice and are fundamentally sound and fit for purpose, however there are areas where improvements to enhance the Council's governance framework were identified, these have been recognised and improvement plans are in place.

Although an adequate assurance opinion has been provided, there have been significant changes across the authority as a result of the outbreak of Covid-19 which

has impacted on every aspect of our service provision, financial resilience, ways of working and of course the health and welfare of those living in the borough and especially the most vulnerable in our society. The restructuring of services had been planned following the voluntary redundancy scheme that took effect on 29 February 2020, but has been suspended due to the pandemic and this has impacted on the overall control environment and governance arrangements. Our governance arrangements have responded to the crisis, in line with the emergency provisions that were made in the Coronavirus Act 2020, and we have continued to carry out effective governance despite the huge disruption caused by Covid-19. There will, however, be a need to review the Council's governance framework as a result of the changes implemented in response to the pandemic including, but not limited to, the local Code of Governance, business continuity, risk management, financial and corporate resilience.

Full details of the assurance provided in this statement can be found within the Internal Audit Annual Report for 2019/20, submitted to the Audit Committee on 10 June 2020. Under the Accounts and Audit (England) Regulations 2015 and the PSIAS, the Council is required to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. As in previous years, it is considered that the Council has effective arrangements in place for the provision of its Internal Audit Service.

Rationale for ' Adequate' Assurance Opinion



- Corporate Plan, - 'A place for everyone' and 10 Year Community Strategy setting out the priorities, values & strategic direction of the Council
- Local Development Plan which sets out the overall strategic direction for the borough up to ...
- Constitution covering the powers of committees, members and senior officers, statutory officers and decision making processes
- Member - officer protocol
- Codes of Conduct for members & staff setting out the high standards of conduct and behaviour expected in all aspects of the Council's work, including working with partnerships
- Legal framework (constitution, policies & procedures) that effectively set out the rules & procedures to be followed by members and officers
- Values are embedded within policies & procedures & communicated
- Effectively records & publishes decisions made in the discharge of its functions
- Communication & Engagement strategy to engage with residents &

- The Council is committed to becoming carbon-neutral by 2040, work is ongoing to realise this commitment but may prove challenging to meet
- Standards Committee recruited two new members in January 2020, training & development needs will need to be considered.
- The Council has effective Risk Management arrangements in place. Further work is being done to ensure it is embedded across the council and in the decision making process
- The Council has effective sustainable procurement arrangements in place. Further work is being done to ensure it is embedded across the council to demonstrate good practice, compliance with legislation, realise value for money and public accountability.
- Housing with Care following inspection rating of 'Inadequate' by the Care Quality Commission (CQC) in 2018, a period of rapid improvement has now progressed to 'Requires Improvement'

- The Covid19 pandemic will significantly impact on all aspects of the Council's activities including, but not limited to, financial resilience, contracts, staffing, service delivery, reputation. The Council has put in place new working arrangements, payment methods, reviews of service delivery, etc to react to the immediate crisis. Senior management will be reviewing all aspects of its service delivery for the future to ensure it remains able to meet its statutory requirements and support the most vulnerable in our communities
- The Council has significant cost pressures within Children's and Adult Social Care Services. These are being regularly monitored and reviewed
- Children's Social Care Services rated as 'requires Improvement' by Ofsted Inspection November 2019. Hackney is determined to raise standards. An action plan with strong governance and oversight was developed to provide the best possible support to children and families within the

- other stakeholders, supported by Citizens E-Panel.
- Scrutiny arrangements in place to ensure constructive challenge and debate on policies, performance and decision making
 - A commitment to openness and transparency, publication of its annual accounts, performance data, value for money, spending, senior officer pay
 - Published complaints handling procedures
 - Effective arrangements in place to produce the Annual Governance Statement with a Local Code of Corporate Governance reviewed regularly
 - Effective internal audit service delivered in line with the public sector internal auditing standards
 - Audit Committee that provides a source of effective assurance
 - Ethical framework based upon the Seven Principles of Public Life that sets out expected values and behaviour of its members, officers and those who work with the Council.

- Tenant Management Organisations (TMOs) have shown improvement over the last 3 years and the general trend continues to be positive. A control system is in place, work is ongoing with TMOs to improve their governance arrangements where necessary.
- New Inclusive Economy Strategy has been adopted, outlining the three priorities of supporting local neighbourhoods and town centres to thrive; supporting local business and social enterprises and delivering affordable workspace; and connecting residents to employment, skills and training opportunities.
- Tenancy and Leaseholder services are developing a new Resident Engagement Strategy, work is ongoing with with Tenants Liaison Group to inform this strategy.

- borough. We will continue to evolve our approach in line with the feedback from Ofsted and explore new ways of further improving outcomes for children and families in Hackney.
- The Council is reviewing its contract management of housing maintenance providers to address any weaknesses in the procurement and contracting workflows and systems.

- Effective anti fraud and corruption arrangements including whistleblowing policies and procedures
- Effective financial management arrangements are embedded across the Council which supports short, medium & long term achievement of the Council's ambitions & service provision
- Effective asset management framework that ensures Council assets are compliant, sustainable, fit for purpose & support the delivery of the Council's strategic objectives
- Recognises & values the diversity of our communities & workforce
- Health & safety management framework which seeks to ensure compliance with legislation
- Effective business continuity and emergency planning processes in place to enable the Council to continue to provide key services and respond to an emergency or event
- Actively promotes safeguarding to prevent harm & reduce the risk of abuse or neglect

Improving Governance

Based on our review of the governance framework, the following significant issues will be addressed in 2020/21

Issues identified 2019/20	Planned Action
<p>1. COVID-19 Pandemic</p> <p>The pandemic that hit the country at the start of 2020 has had a significant impact on how the Council provides services to its residents, businesses and other customers. It has also changed the way we work with our partners to deliver these services and support the borough.</p> <p>This has required the Council to introduce changes to its ways of working, adapting some controls and governance arrangements in order to ensure we are able to meet critical demands whilst protecting all parties' health and well being. The Council had conducted a voluntary redundancy scheme with most successful applicants leaving the Council's employ at the end of February 2020. Restructuring of services following the redundancies has been put on hold during the crisis and work is in progress to establish how these will be carried forward in the context of ongoing restrictions on activity due to Covid-19.</p> <p>The Council has incurred significant unplanned expenditure and loss of income, which will have a major impact on its budget and available resources in the future.</p>	<p>The Council was quick to identify critical services that needed to be supported and arrangements were made to reassign staff resources to help in these areas.</p> <ul style="list-style-type: none"> ● Putting restructures and recruitment on hold was necessary to enable the Council to manage the critical services and conform with government restrictions and guidelines such as social distancing. Once restrictions are relaxed the Council needs to consider the current management structures to ensure its governance arrangements are not jeopardised as a result of ongoing vacancies, changes in working practices, the need to amend schemes of delegation and other key governance controls. ● Review the local Code of Governance to ensure it reflects new ways of working and changes to the governance framework. ● Reviewing the effect on 2020/21 budget and ability to realise projected savings. ● Reviewing the Council's reserves to develop options for re-appropriating reserve funds to help support the Council's response to COVID-19. This may mean delaying some projects or activities initially expected to be funded from reserves. <p>Looking at the investments made in services as part of the 2020/21 budget setting process to see which investments can be paused or cancelled to free up money to fund response to the COVID-19 crisis.</p> <p>Refining and developing a governance process to ensure expenditure is signed off by appropriate officers to keep expenditure focused on the COVID-19 response.</p> <p>Closely monitoring the Council's income streams and debt levels to see what effect the COVID-19 crisis is having all the Council's income.</p> <p>Reviewing exposure to commercial property investments.</p> <p>Evaluating the effect on the valuation of asset base and pension fund asset valuations.</p> <p>Looking at the cost of all non-essential services to assess what costs could be saved in the event it is necessary for the Council to enter into a period of financial 'lockdown'.</p>

	<p>Careful considerations of the equalities impacts arising from COVID-19 (which has had a disproportionate impact on vulnerable and already excluded groups) to ensure that the ongoing response addresses those impacts and continues our work to promote equality and inclusion in the borough.</p> <p>Working with HMT and service Directors to identify aspects of the Council's impressive response to COVID-19 which might help to identify opportunities to change service delivery &/or ways of working in ways that might mitigate some of the impact on services presented by significant financial threats. This is an opportunity to ensure that the ambition, innovation and imagination shown in the Council's response is not lost but embedded in future operating models.</p> <p>Understanding the legal impact on construction and other similar contracts.</p> <p>Risk to the Council's reputation and loss of trust if response is perceived to be inadequate or biased.</p>
<p>2. Significant cost pressures within Children's and Adult Social Care Services - ongoing since 2018/19</p> <p>Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily in relation to packages of care in Adult Social Care, Looked after Children placements and staffing in Children and Families and SEND costs within the Hackney Learning Trust.</p>	<p>These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly CACH Budget Board jointly chaired by the Group Director Finance and Corporate Resources and the Group Director of Children's, Adults and Community Health Services.</p> <p>There are a number of measures to reduce spend in place including:</p> <p>Care packages - development of processes with the CCG on joint funding contributions, application of the care funding calculated (CFC) and promoting independence.</p> <p>LAC placements - in-house foster care recruitment campaign and edge of care projects such as the Family Learning Intervention Project (FLIP), edge of care workers and contextual safeguarding.</p> <p>SEND - efficiency plan in place.</p>
<p>3. Ofsted Inspection</p> <p>The last Ofsted inspection in November 2019 rated our Children's Social Care Services as 'requires improvement' overall, with the impact of leaders on social work practice with children and families and the experiences and progress</p>	<p>The service is developing an action plan to address areas of concern. Once this is agreed with the inspectors it will be subject to a robust monitoring process to ensure any issues or slippage are identified and addressed in a timely manner. The implementation and impact of the</p>

<p>of children who need help and protection judged as 'requires improvement', while the experiences and progress of children in care and care leavers judged as 'good'. This is a decline in our rating compared to the last inspection in the summer of 2016.</p>	<p>action plan is subject to robust oversight and governance by the Mayor, councillors and senior officers.</p>
<p>4. Housing Contract Management</p> <p>There are issues in contract management of our housing maintenance providers which may result in the council achieving poor value for money for our tenants and leaseholders. The Director of Housing is working with his management team and colleagues from across the Council to address any weaknesses in the procurement and contracting workflows and systems.</p>	<p>The control mechanisms on these contracts have continued to be developed in the past year:</p> <ul style="list-style-type: none"> • All commissions of new capital works are now identified annually via a cabinet report. • A Clerk of Works team established in Planned Asset Management. Work has been developed recently to draft formal Clerk of Works procedures to ensure these are more closely embedded in new contracts. A proposal is being examined to permanently establish the Clerk of Works team, to ensure there is independent sign off and inspection of the quality of works. • New inspection forms are being trialled which will improve record keeping, and facilitate monitoring of overall contractor performance. • Escalation action has been taken against a number of contractors; this has been escalated in accordance with the relevant contract procedures, including via Early Warning Notices, and reallocation of works.

These issues will be supported by a detailed action plan, progress on which will be monitored during 2020/21 and reported to senior management.

Significant issues identified in 2018/19 that were addressed in 2019/20

Issues Identified for 2018/19	Planned Action	Outcomes
<p>1. Challenge of ongoing cost pressures within Children and Adult Services</p> <p>Robust budget monitoring processes are in place. These have highlighted significant cost pressures primarily in</p>	<p>These high-level pressures are subject to ongoing challenge through budget review meetings and the monthly CACH Budget Board which is jointly chaired by the Group Director</p>	<p>This remains an ongoing concern. See significant issues 2019/20.</p>

<p>Learning Disabilities in Adult Social Care, Looked after Children placements in Children and Families and SEND costs within the Hackney Learning Trust.</p>	<p>Finance and Corporate Resources and the Group Director of Children's, Adults and Community Health Services.</p>	
<p>2. Integrated Commissioning A review of the effectiveness of the governance arrangements for Integrated Commissioning was undertaken by PWC in 2018/19.</p>	<p>An implementation plan to address the issues raised by the PWC review has been developed and will be monitored through the Integrated Commissioning Board.</p>	<p>The Integrated Commissioning Board was set up to implement PwC recommendations. A risk management Working Group was established to provide a forum for collective management of risks across all workstreams and enabler groups. The ICB is tasked with developing risk identification, monitoring and mitigation arrangements in line with the corporate approach. There are detailed schemes of delegation agreed between the separate bodies specifying individual and shared duties.</p>
<p>3. Commercialisation The Council is embarking on a new commercial venture through Housing Companies for providing private sector and Hackney Living Rent accommodation. These provide opportunities but could have significant risks for the authority.</p>	<p>A steering group has been formed and project plans have been developed. There is a separate risk register which will be reviewed and monitored regularly. Specialist guidance and advice is being bought in to assist in areas such as setting up the companies and the preparation of a management agreement. Senior officers and members will receive regular updates on the progress of this initiative. The Group Director of Finance & Corporate Resources has been given delegated authority to make decisions to expedite the creation of the companies.</p>	<p>Management companies have been set up, these are currently inactive. Regular reports are provided to senior officers.</p>
<p>4. Housing with Care Inspection The Housing with Care Service was inspected in November/December 2018 by the Care Quality Commission (CQC) and subsequently was rated inadequate.</p>	<p>A detailed improvement plan has been developed and shared with the CQC this will be monitored on a regular basis to ensure any issues or slippage are identified and addressed in a timely manner.</p>	<p>Improvement plan was implemented. Re-inspection took place and the rating raised to 'requires improvement'. Work is in progress to improve further.</p>

