

Subject:	Draft Annual Governance Statement 2017-18		
Date of Meeting:	24 July 2018		
Report of:	Executive Lead Officer, Strategy, Governance & Law		
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Ward(s) affected:	All		

FOR GENERAL RELEASE**1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 The Annual Governance Statement (AGS) is a requirement of Local Authorities to prepare, approve and publish an AGS which reports publicly on the extent to which they comply with their own Code of Corporate Governance ('the Local Code').
- 1.2 The Council is responsible for ensuring a sound system of governance (incorporating the system of internal control). The AGS publicises how the council strives to be effective in meeting the highest standards of governance as set out in the International Framework for Good Governance (henceforth referred to as 'the Framework')¹ and provides information on the review of governance that has taken place during the course of the last complete financial year.

2. RECOMMENDATIONS:

- 2.1 That Committee note the outcome of the annual review of the effectiveness of the Council's system of internal control reported here and formally approve the Annual Governance Statement in draft form at Appendix 1.
- 2.2 That the Committee note the Leader of the City Council and the Chief Executive will be asked to confirm their agreement to the Annual Governance Statement by signing a hard copy of Appendix 1 which will be stored securely.
- 2.3 That the Committee note that the Annual Governance Statement once signed by the Leader of the City Council and Chief Executive will be published on the Council's website alongside the council's Annual Accounts.

3. CONTEXT/ BACKGROUND INFORMATIONThe Local Code of Corporate Governance

- 3.1.1 The Council is responsible for ensuring that it conducts its business in accordance with the law and according to relevant standards. This requires

¹ CIPFA (Chartered Institute of Public Finance Accountancy) and IFAC (International Federation of Accountants) 'Delivering Good Governance in Local Government Framework 2014'.

Members and officers to make arrangements which ensure that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively, so as to ensure continuous improvement. A key element is the responsibility of ensuring that our systems of internal control are sound and reflect best practice.

- 3.1.2 Brighton & Hove City Council's Local Code of Corporate Governance was last substantively reviewed in the period leading up to July 2017 in the light of the CIPFA & SOLACE² guidance referred to at para 3.2.1 below. At its meeting on 25 July 2017, the Audit and Standards Committee exercised its delegated powers under article 13.03 (xi) of the Constitution to approve a revised Code of Corporate Governance, which is published as Part 8.11 of Brighton & Hove City Council's Constitution.
- 3.1.3 The current Code of Corporate Governance incorporates the Framework proposed in the guidance, using the definition of good governance and the core principles cited therein. In the absence of relevant changes to the law or to the guidance, no revisions or updates to the Code are proposed at this time. This will be kept under review.
- 3.1.4 It is a legal requirement that authorities conduct a review each financial year on the effectiveness of their systems of internal control and report publicly on the findings of that review. At Brighton & Hove City Council this review - as well as the Council's compliance with its Code of Corporate Governance - is conducted and monitored through the Annual Governance Statement process.

3.2 Best Practice Guidance

- 3.2.1 In April 2016, CIPFA and SOLACE (Society for Local Authority Chief Executives) published revised guidance 'Delivering good governance in local government framework 2016 edition'. The Framework defines the principles that should underpin the governance of local authorities and requires each local authority to:
- i) review existing governance arrangements
 - ii) develop and maintain an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
 - iii) report publicly on compliance with their own code on an annual basis including how they have monitored the effectiveness of their governance arrangements in the year and on any planned changes.
- 3.2.2 As the Framework and public sector requirements were new and first applied from April 2017 CIPFA undertook a review and drafted a document on whether local authorities had correctly applied the Framework and to what extent the CIPFA/SOLACE guidance had been used. Brighton & Hove City Council's AGS 2016-17 in its presentation style was included as a case study in that document to illustrate how links to website information improves reader access to further information.

² CIPFA is acronym for the Chartered Institute of Public Finance Accountancy; SOLACE is acronym for the Society of Local Authority Chief Executives.

3.2.3 Guidance from CIPFA is that:

‘The annual governance statement should:

- provide a meaningful but brief communication regarding the review of governance that has taken place including the role of the governance structures involved (such as the authority; the audit and other committees)
- be high level, strategic and written in an open and readable style
- Focus on outcomes and value for money and relate to the authority’s vision for the area.’

The use of the Corporate Risk Assurance Framework (CRAF) in the AGS

3.3 In order to deliver CIPFA/SOLACE requirements the city council’s AGS uses its Corporate Risk Assurance Framework (CRAF). The CRAF 2016-17 was first reported to the Audit & Standards Committee on 10 January 2017 and it was agreed that the CRAF would be reported annually, therefore the CRAF 2017-18 was approved in January 2018.

3.4 The CRAF has three elements: Governance, Risk Management and Assurance which structure its delivery of outcomes and processes, its values and organisational culture.
All of these elements are inter-related and are crucial to the council achieving its ‘purpose’ as an organisation. The CRAF has involved:

- a) consideration of the policies and procedures which lay the foundation of our activities and link to the Good Governance principles set out in the International Framework for Good Governance;
- b) mapping of assurance across the organisation including internal in our partnership working
- c) consideration by Internal Audit of assurance levels for Strategic Risks identified by the Executive Leadership Team (ELT)
- d) consideration by Internal Audit of Directorate Risks which relate to planning and delivery of services to customers.

As such the CRAF provides a strong evidence base for the AGS and the review of the effectiveness of the Council’s system of internal control because it requires the council to be active and have arrangements in place through its senior officers to manage its business and keep the council safe.

Activities/controls to manage risks are set out using the ‘three lines of defence’ model:

First line of defence: management controls
Second line of defence: corporate oversight
Third line of defence: independent assurance

3.5 The presentation style format of the AGS, first used for 2016-17, has been retained as it provides a more readable and user friendly document. For the AGS 2017-18 some changes have been made:

- i) the internal partnership governance structures have been updated;

- ii) for external partnerships and the governance arrangements more detail is provided by way of website links in the document;
- iii) Internal Audit assurance scorings of individual risks have been removed to avoid confusion between risk scores and assurance ratings.

Chief Internal Auditor's Opinion

- 3.6 The AGS 2017-18 is underpinned by the work of Internal Audit and the Annual Internal Audit Opinion. The opinions provided on all internal audits undertaken over the past three years have been cross-referenced to current strategic and directorate risks, where applicable.
- 3.7 Audit activity has confirmed the majority of key controls examined are working in practice, with some specific exceptions. This information is presented in the draft AGS at appendix 1 and it has been used to inform the further actions to be progressed in 2018-19.
- 3.8 The Chief Internal Auditor can provide:
- ‘reasonable assurance’³ that Brighton & Hove City Council has in place an adequate and effective framework of governance, risk management and internal control for the period 1 April 2017 to 31 March 2018.’
- 3.9 The council is required to report on any planned changes in the current period beyond the AGS period covered in this report (2017/18). There are no significant issues to be reported.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 Not applicable.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 Not applicable.

6. CONCLUSION

- 6.1 As summarised in the Annual Governance Statement 2017-18.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The resources required to implement the actions outlined to strengthen the governance arrangements are provided for the agreed 2018/19 budget.

Finance Officer Consulted: James Hengeveld

Date: 05/07/18

³ The use of the term ‘reasonable assurance’ reflects that the opinion has been reached based on the work set out in Appendix 2 and that it is not possible of practicable to audit all activities of the City Council within a single year.

Legal Implications:

- 7.2 The Council is under a duty to ensure that its financial management is adequate and effective and that it has a sound system of internal control which includes arrangements for the management of risk. Regulation 6 of the Accounts and Audit Regulations 2015 further require the council to at least annually conduct a review of the effectiveness of its system of internal control and prepare an annual governance statement in addition to the statement of accounts which it is obliged to prepare in accordance with regs. 9 and 12.

The council's Audit & Standards Committee is responsible amongst other things for reviewing the outcome of the annual review of governance arrangements and approving the Annual Governance Statement, thereby ensuring that the Council meets the requirements of the Accounts and Audit Regulations 2015 in its capacity as the committee of the Council designated for this purpose.

Lawyer Consulted: Victoria Simpson

Date: 18/06/18

Equalities Implications:

- 7.3 Not applicable.

Sustainability Implications:

- 7.4 Not applicable.

Any Other Significant Implications:

- 7.5 Not applicable.

SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2017 – 2018.

Documents in Members' Rooms

1. None.

Background Documents

1. International Framework Good Governance in the Public Sector, CIPFA/ IFAC 2014.
2. Delivering good governance in local government framework 2016 edition, CIPFA/SOLACE 2016.

