

Annual Governance Statement 2017/2018

Signed by:

Leader of Brighton & Hove City Council,
Cllr. Daniel Yates

and, Chief Executive Officer,
Geoff Raw



Why we have prepared this Annual Governance Statement (AGS) 2017-18

- To fulfil the statutory requirement for each local authority to conduct a review of its system of internal control and prepare and publish an AGS at least once a year in each financial year
- To demonstrate whether, and to what extent, the council has sound system of governance and has complied with its Local Code of Governance ('the Local Code') in 2017/18
- To demonstrate our achievements and help us to be more effective and take action to improve



What we mean by governance

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

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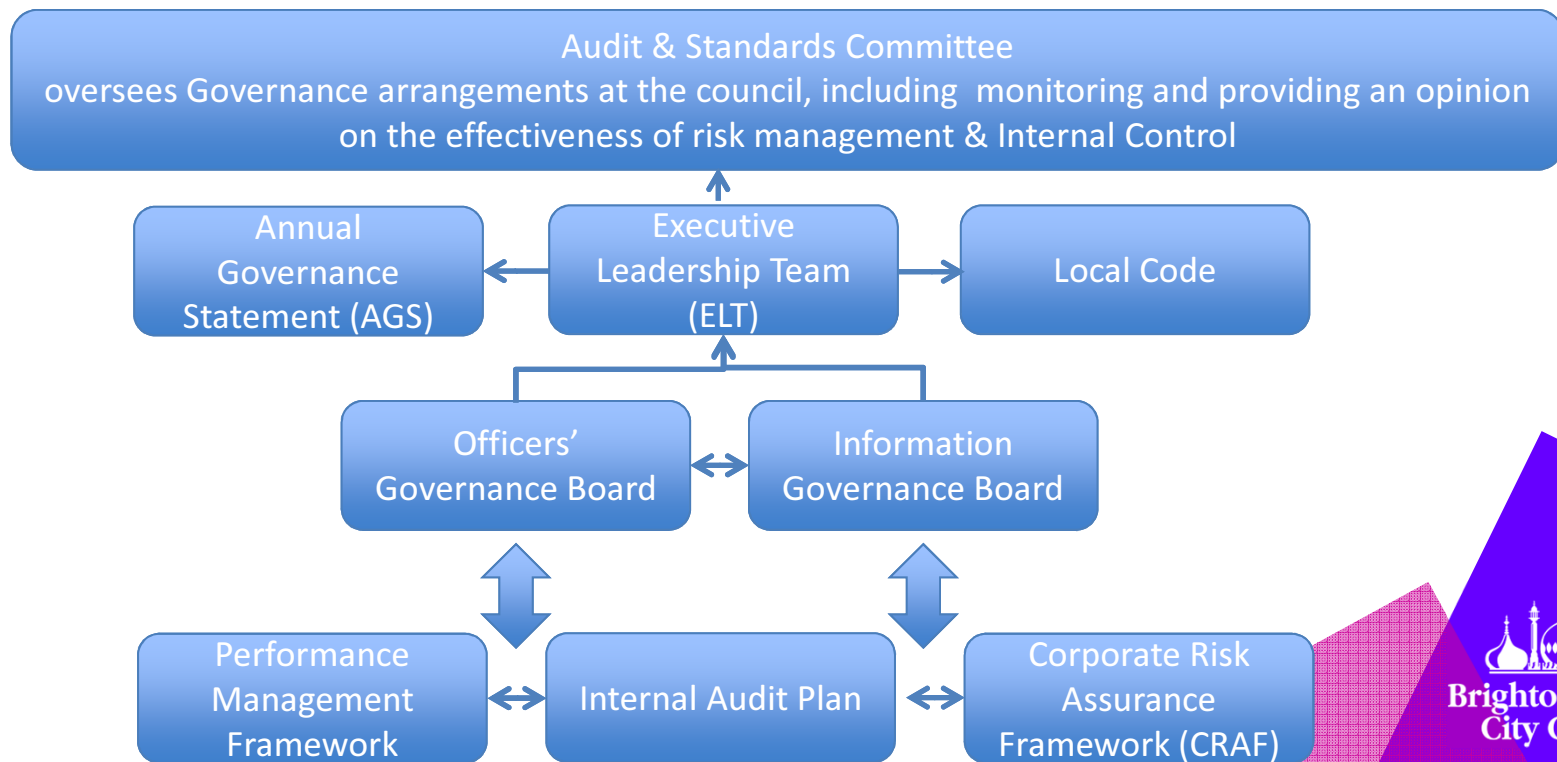
How the council makes sure it

- does the right things
- in the right way
- for the right people



Brighton & Hove
City Council

Corporate Governance Structure: within Brighton & Hove City Council



Corporate Governance Structure with partners:

Brighton & Hove Connected's range of thematic partnerships, ensures community & stakeholder buy-in to assist with legitimising our city's governance

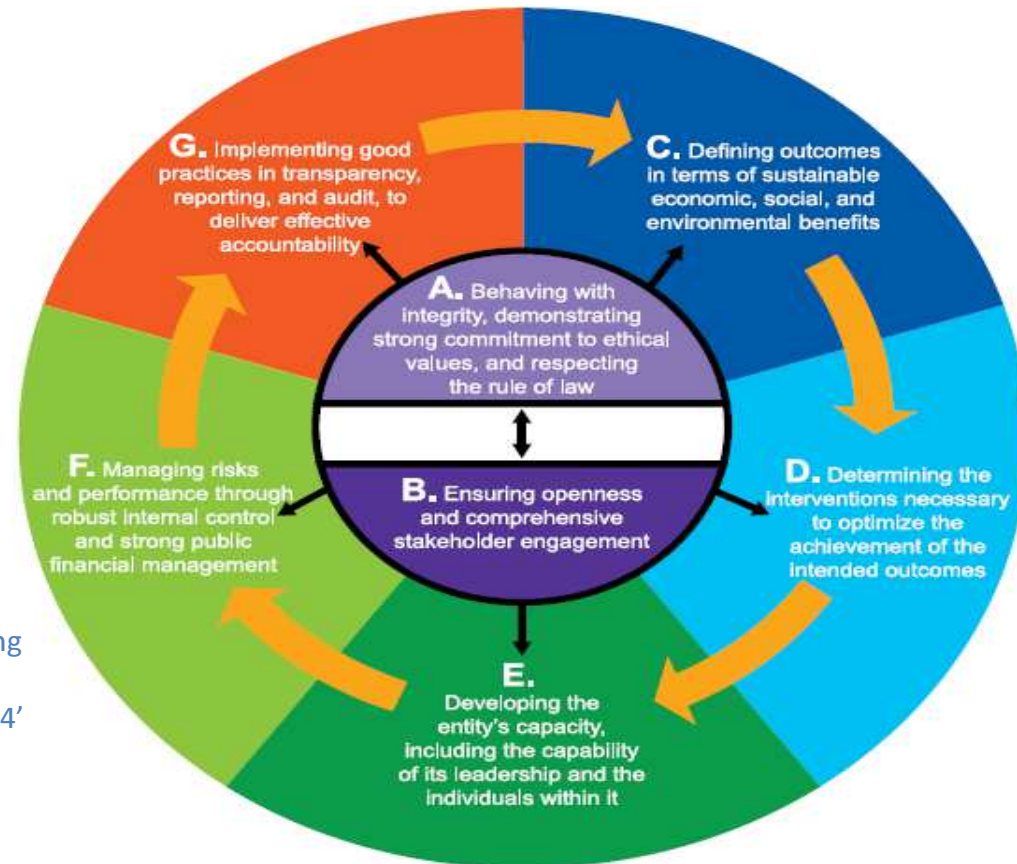


How we make sure our arrangements are working



We use the 'three lines of defence model' to assess the effectiveness of our policies and procedures and to make sure our risks are addressed

Good Governance Principles



* Reproduced from 'Delivering Good Governance in Local Government Framework 2014' published by CIPFA/IFAC

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Performance Management Framework



Best Value Authorities are under a general Duty of Best Value 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.”

Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007)

Assurance on Risks

(one of the 8 elements of BHCC Performance Management Framework)

- Strategic risks (SRs) are considered quarterly by the Executive Leadership Team (ELT) and receive focus at the Audit & Standards Committee
- Directorate risks (DRs) are reviewed quarterly by Directorate Management Teams and reported to ELT quarterly

Risk Analysis

Internal Audit's analysis of the Strategic and Directorate risks in the Corporate Risk Assurance Framework (CRAF) is included in Appendix 1 based on which the internal audit opinion for 2017-18 has been formed

Head of Internal Audit Opinion

In my opinion, reasonable assurance* can be provided:

- on the overall adequacy and effectiveness of the council's framework of governance, risk management and control for the year ended 2017/18
- that the arrangements continue to be fit for purpose in accordance with Delivering Good Governance in Local Government Framework 2016 published by CIPFA/SOLACE.

Chief Internal Auditor, Russell Banks

And

Audit Manager, Mark Dallen

* Assurance can never be absolute. In this context 'reasonable assurance' means that arrangements are in place to manage key risks and to meet good governance principles, but there are one or more areas where improvements are required



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Rationale for “reasonable assurance” opinion



- Most key financial systems are robust
- Governance audits have given positive assurance
- Budget management is effective
- Business Intelligence Group introduced
- Mandatory risk management training is being delivered

- IT and information governance controls require ongoing improvement
- Financial pressures and capacity issues will continue to impact
- Too many ‘partial assurance’ audits

Further Actions to improve governance for delivery 2018/19, page 1 of 4

What we will do

1) Information Governance

- i) Deliver the GDPR Implementation actions from GDPR Plan
- ii) Continue to improve security over our information assets

Lead Officer

Executive Director,
Finance &
Resources

2) Financial Pressures

- i) Control the cost of demand led services including childrens & adults social care, housing and schools

Executive Director,
Finance &
Resources

Further Actions to improve governance for delivery 2018/19, page 2 of 4

What we will do

Lead Officer

3) Organisational Capacity

- i) Budget processes to include a clear and specific assessment of the impact on organisational capacity

Executive
Director,
Finance &
Resources

4) Integrating Health & Social Care

- i) Work with the CCG and primary and community health care stakeholders to develop new care and delivery models to support closer integration
- ii) Establish an integrated management team structure to support a fully integrated Health and Social Care Service from 2020

Executive
Director,
Health &
Adult Social
Care



Further Actions to improve governance for delivery 2018/19, page 3 of 4

What we will do

Lead Officer

- 5) Governance and management in key services
- i) Strengthen and build on good governance and management in key services

Executive Director,
Finance &
Resources

- 6) Continue to clarify the shared vision for Brighton & Hove as a city which will inform Leadership and the new Corporate Strategy to be developed after May 2019

Executive Lead Officer,
Strategy,
Governance &
Law



Further Actions to improve governance for delivery 2018/19, page 4 of 4

7) Governance of Property Portfolio

i) Annual report to Policy, Resource & Growth Committee in relation to making best use of the council's assets (investment strategy) to improve income, achieve capital receipts requirements under the Medium term Financial Strategy

Executive
Director,
Economy,
Environment
& Culture

The previous Annual Governance Statement for 2016/17

Reasonable Assurance was provided and actions agreed and delivered in 2017/18. These are outlined on the following slides

Progress made on AGS Actions 16/17

1) Discuss with Lead Members and respond to the recommendation of the April 2017

LGA Peer Review including:

i) City-wide leadership

After the Local Government Association (LGA) Peer review the Policy, Partnerships & Scrutiny Team are working to clarify the shared vision for Brighton & Hove as a city, including the role of the council in delivering it

ii) The council's long term strategy for the city

The work to shape the 2030 vision and provide the city with an effective policy framework has begun through the council's Policy, Partnerships & Scrutiny team engaging the city's stakeholders and will be completed by late 2018

iii) Partnership & engagement

Brighton & Hove Connected and city stakeholders are running a series of events which are not a traditional consultation process where organisations present proposals on which to comment. Instead it is a series of discussions led by a range of people from across the city, to look at the issues and decisions that we need to face in the future and provide in-sight and opinion to help those who have to take those decisions over the next few years

Progress made on AGS actions 16/17

2) Improve contract management

i) Analyse current contract portfolio

Substantial additional resources put into Corporate contracts management team to enable recruitment to full establishment for ongoing review and challenge of corporate contracts

ii) Find opportunities for efficiency gains to contribute to the budget setting process

A forward plan, including working with Orbis colleagues, has been developed which highlights areas of concern. Data Analysis is ongoing with segmentation of high risk / high value contracts being identified for review and investigation

iii) Review housing repairs contract

Work has commenced on the review of the current Housing Repairs contract and arrangements for re-tendering

Progress made on AGS actions 16/17

3) Improve information governance (IG)

i) Agree Information Strategy

Development of Information Governance (IG) plan which was presented to Audit and Standards Committee in 19 September 2017

ii) Prepare for General Data Protection Regulations

Submission and approval of a modernisation business case to cover General Data Protection Regulations (GDPR) project resourcing

GDPR business case accepted at Corporate Modernisation Delivery Board and GDPR project initiated

iii) Prioritise Information & Cyber Risks

Completion of PEN testing, review of protective monitoring and improvements made to patching and incident management processes

Implementation planning for iCasework for Freedom of Information management.

Overseeing IG components of multiple change projects (including the delivery of O365)

PSN Co-Co certificate application submitted

Co-co submission preparatory work

Development of an IG training plan which incorporates GDPR requirements and initial training modules

Progress made on AGS actions 16/17

Action 4) Address financial challenges facing schools

i) Help schools avoid financial difficulties

In the financial year 2017-18 decisions made as to which school would be granted licensed deficits and which schools were to receive Notice of Concerns. Schools have been advised that no further licensed deficits will be agreed until the overall position improves

Monthly monitoring of each school's budget position to identify any emerging concerns and to share intelligence. This is captured in a schools causing financial concern document. Where there are financial concerns for a school with a school improvement board already established this will be addressed in that forum

As at the end of 2017/18 the overall schools budget position is improved to £2.003 million which was a positive significant change to what was originally forecast

ii) Consider use of formal powers where appropriate

It is acknowledged that the financial challenges for schools is an ongoing risk and it will continue to be monitored as a strategic risk



What happens next...

We will

- continue to further strengthen our governance arrangements
- monitor the implementation of the actions set out in this statement
- report the progress we have made in our next annual review

In conclusion...

This document:

- shows how we have met the statutory requirement to conduct a review of our system of internal control
- meets the requirement to publish an Annual Governance Statement
- demonstrates our achievements and helps us to be more effective and take action to improve

Appendix 1

Strategic & Directorate Risk Analysis

Internal Audit's analysis of Strategic and
Directorate risks in the
Corporate Risk Assurance Framework (CRAF)
by Good Governance principles

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

Strategic Risk	Independent Assurances
SR13 Not keeping vulnerable adults safe from harm and abuse	<p>No specific Internal Audit work in <u>2017/18</u>. Independent assurance on this risk is available from the inspections carried out by the Care Quality Commission and Peer reviews.</p> <p>In <u>2016/17</u> this strategic risk was specifically reviewed concluding Reasonable Assurance.</p> <p>In <u>2015/16</u> the audit on Deprivation of Liberty gave Reasonable Assurance, and the review on Residential Care (Elderly) gave Substantial Assurance.</p> <p>The risk was reviewed at A&S Committee in September 2017.</p>
SR15 Not keeping children safe from harm and abuse	<p>No specific Internal Audit work in <u>2017/18</u>. Independent assurance on this risk is available from the inspections carried out by the OFSTED, Peer review and Work carried out by the University of Sussex.</p> <p>The audits undertaken in <u>2015/16</u> on Children's Services Procurement gave Substantial Assurance. Our work on Fostering & Adoption and (SR15) and Safeguarding Children both gave Substantial Assurance.</p> <p>The risk was reviewed at A&S Committee in March 2018.</p>
SR32 Sub-standard health & safety measures lead to personal injury, prosecution, financial losses and reputational damage.	<p>No specific Internal Audit work in <u>2017/18</u>. Independent assurance on this risk is available from the inspections carried out by the HSE and East Sussex Fire and Rescue Authority.</p> <p>The risk was last reviewed at A&S Committee in July 2017.</p>

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Strategic Risk	Independent Assurances
SR20 Inability to integrate health and social care services at a local level and deliver timely and appropriate interventions.	<p>No specific Internal Audit work in <u>2017/18</u>. Some independent assurance on this risk is provided by NHS England.</p> <p>In <u>2016/17</u> our work reviewing the Better Care Fund gave Limited Assurance. The audit on Public Health concluded Reasonable Assurance.</p> <p>The risk was reviewed at A&S Committee in September 2017.</p>
SR26 Not strengthening the council's relationship with citizens.	<p>The <u>2017/18</u> Internal Audit Plan included an audit of Public Consultations which concluded Reasonable Assurance.</p> <p>In <u>2015/16</u> the audit on Organisational Ethics concluded Substantial Assurance.</p> <p>The risk was reviewed at A&S Committee in January 2018.</p>



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Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Strategic Risk	Independent Assurances
SR21 Unable to manage housing pressures and deliver new housing supply.	<p>No specific Internal Audit work in <u>2017/18</u>.</p> <p>Our audit work in <u>2016/17</u> on Housing New Builds concluded Substantial Assurance.</p> <p>The risk was reviewed at A&S Committee in January 2018.</p>
SR23 Unable to develop an effective Investment Strategy for the Seafront.	<p>Internal audit review of the Waterfront Project in <u>2017/18</u>. Some independent assurance on this risk is also provided by the Greater Brighton Economic Board (quarterly) and Coast to Capital LEP.</p> <p><u>2016/17</u> audits were Valley Gardens and Shelter Hall (Limited Assurance)</p> <p>The risk was reviewed at A&S Committee in January 2018.</p>
SR29 Ineffective contract management leads to sub-optimal service outcomes, financial losses, and reputational damage.	<p>Internal audits during <u>2017/18</u> were Strategic Construction Contract (Substantial Assurance), Contract Waivers (Substantial Assurance) and Lift Maintenance Contract (Substantial Assurance).</p> <p><u>2016/17</u> audits were Waivers (Limited Assurance), Housing Electrical Works (Limited Assurance).</p> <p><u>2015/16</u> audits were Corporate Procurement (Reasonable Assurance), Gas Servicing (Reasonable Assurance), Housing Repairs & Maintenance (No Assurance), Financial Appraisals (Limited Assurance).</p> <p>The risk was reviewed at A&S Committee in March 2018.</p>
SR33 Not providing adequate housing and support for people with significant and complex needs.	<p>This is a new risk (March 2018). No specific Internal Audit work.</p> <p>Assurance on this risk is provided by the Local Safeguarding Adults Board and the Local Safeguarding Children Board both of which are independently chaired.</p>



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Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

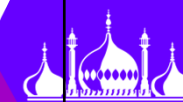
Strategic Risk	Independent Assurances
SR18 Service outcomes are sub-optimal due to the lack of appropriate tools for officers to perform their roles.	<p><u>2017/18</u> audit of the Digital First Programme (Partial Assurance given). Annual staff survey has identified significant concerns with staff not having the right tools to do their jobs.</p> <p>In <u>2015/16</u> Audits included a review of the Modernisation Agenda (Reasonable Assurance).</p> <p>Last reviewed at A&S Committee in September 2017.</p>
SR30 Not fulfilling the expectations of residents, businesses, government and the wider community that Brighton & Hove City Council will lead the city well and be stronger in an uncertain environment.	<p><u>2017/18</u> No independent assurance work has been carried out on this risk.</p> <p>Last reviewed at A&S Committee in January 2018.</p>

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Strategic Risk	Independent Assurances
SR2 The council is not financially sustainable.	<p><u>2017/18</u> Financial Pressures (Reasonable Assurance). Eight internal audits were undertaken of other key financial systems. The majority were given Substantial or Reasonable assurance opinions with the exception of Council Tax and Debtors where a Partial assurance opinion was given.</p> <p><u>2016/17</u>. Budget setting (Reasonable Assurance)</p> <p><u>2015/16</u>. Income Generation (EDH) – Reasonable Assurance, Spend Controls (Reasonable Assurance)</p> <p>This risk was last reviewed at A&S Committee in July 2017.</p>
SR24 The impact of Welfare Reform increases need and demand for services.	<p><u>2018/19</u>. Welfare Reform (Substantial Assurance).</p> <p>This risk was last reviewed at A&S Committee in March 2018.</p>
SR25 The lack of organisational capacity leads to sub-optimal service outcomes, financial losses, and reputational damage.	<p><u>2017/18</u>. Organisational Capacity (Partial Assurance).</p> <p>This risk was last reviewed at A&S Committee in July 2017.</p>

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Strategic Risk	Independent Assurances
SR10 Corporate Information Assets are inadequately controlled and vulnerable to cyber attack	<p><u>2017/18</u>. Six Partial Assurance reports: Building and System Access Controls, PCI DSS, Active Directory, Parking Service Systems, Corporate Banking System, IG Toolkit.</p> <p>This risk was last reviewed at A&S Committee in September 2017.</p> <p><u>2016/17</u>. Cyber Security and IT Disposals (both Limited Assurance), IT Incident Management (Substantial Assurance), IT Service Desk (Reasonable Assurance), Computer Facilities (Limited Assurance).</p> <p><u>2015/16</u>. IG Toolkit (Limited Assurance), Data Protection and FOI (Reasonable Assurance), IT Disaster Recovery (Limited Assurance), Application Management Standards (Limited Assurance), Data Sharing (Reasonable Assurance), ICT Risk Assessment (Limited Assurance).</p>
SR31 Greater liability on the council's budget due to budgetary pressures on schools	<p><u>2017/18</u> Financial Pressures (Reasonable Assurance). Nine school reviews were carried out in the year. The Assurance opinions given were Reasonable (5 schools), Partial (3 schools), Minimal (1 school).</p> <p>This risk was last reviewed at A&S Committee in March 2018.</p> <p><u>2016/17</u> Schools Funding Arrangements (Substantial Assurance).</p> <p><u>2015/16</u> 9 schools were visited. Substantial Assurance (5 schools), Reasonable Assurance (3 schools), No Assurance (1 school).</p>



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Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

No strategic risks were mapped to this risk



Directorate Risks Analysis

Internal Audit's analysis of the Directorate risks (DRs) in the Corporate Risk Assurance Framework (CRAF)



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

Directorate Risk	Independent Assurances
NCH DR 03 – Unable to meet legislative duties in Service Delivery, whether direct or through contractors	<p><u>2017/18 audits:</u> Lift Maintenance Contracts –Housing (Substantial Assurance). HRA Estate Development Budget (Partial Assurance). Unresolved issue in relation to the Housing Repairs and Maintenance Contract.</p> <p><u>2016/17 audits:</u> Right to Buy – (Substantial Assurance).</p> <p><u>2015/16 audits:</u> Repairs & Maintenance – (No Assurance).</p>

Good Governance Principle B: Ensuring openness and comprehensive stakeholder engagements

Directorate Risk	Independent Assurances
FCL DR 02 - Changes in effective partnership working affects our service delivery	<u>None for 2017/18.</u>
HASC DR 03 – Market capacity of Adult Social Care providers limits delivery	None for 2017/18. <u>2015/16 audit:</u> Home Care – (Substantial Assurance).

Good Governance Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits

Directorate Risk	Independent Assurances
EEC DR 07 – Insufficient assurance over spend of major regeneration and infrastructure projects	<u>2017/18 audit:</u> Major Capital Projects -Brighton Centre/ Black Rock- Ongoing review. No specific assurance opinion given. <u>2016/17:</u> Valley Gardens and Shelter Hall (Limited Assurance). <u>2015/16 audit:</u> Brighton Centre – (Substantial Assurance).
EEC DR 12 Failing to make a convincing case for investment in the city region	<u>2017/18: No audits</u> <u>2016/17: No audits</u> <u>2015/16: No audits</u>
NCH DR 06 - Government Policy prevents delivery of the Corporate Plan	<u>None for 2017/18</u>
SGL DR 05 – Not supporting the organisation to develop and deliver city vision, corporate strategies & priorities	<u>None for 2017/18</u>



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Good Governance Principle D: Determining the interventions necessary to optimise the achievement of the intended outcome

Directorate Risk	Independent Assurances
EEC DR 01 - Digital capability not in place to meet customer expectations	<u>2017/18 audit:</u> Digital First - (Partial Assurance).
EEC DR 05 – Loss in resilience of the City's Transport Infrastructure	<u>2017/18 audit</u> Highways Maintenance (Reasonable Assurance).
SGL DR 06 – Insufficient resources to deliver a resilient Life Events customer service	<u>2017/18 audit</u> Life Events Income -Follow-up (Partial Assurance). <u>2015/16 audit</u> Welfare Funerals (Substantial Assurance).
FCL 10 – Disadvantaged children underachieve at schools	<u>2017/18 audit</u> Youth Employability Service (Substantial Assurance).

Good Governance Principle E: Developing the entity's capacity including the capacity of its leadership and with individuals within it

Directorate Risk	Independent Assurances
FR DR 01 - Failure to integrate effectively into the Orbis partnership leads to sub-optimal service outcomes and financial losses	<u>2016/17 audit</u> Orbis Implementation Arrangements (Reasonable Assurance)
NCH DR 01 – Digital systems do not improve the Customer experience	<u>None for 2017/18</u>
NCH DR 04 – Unable to manage increasing demand due to temporary and regular homelessness	<u>2017/18 audit</u> Housing Temporary Accommodation - Follow-up (Partial Assurance) <u>2015/16 audit</u> Temporary Accommodation (Limited Assurance)
NCH DR 05 – Council's inability to control wider social issues that result in Serious Crimes causing the most harm	<u>None for 2017/18</u>
SGL DR 01 – Unable to facilitate change, capacity and support for staff in Strategy, Governance & Law	<u>2017/18 audit</u> Organisational Capacity (Partial Assurance)
SGL DR 02 – Lack of skills and resources to lead and support the organisation	<u>2017/18 audit</u> Organisational Capacity (Partial Assurance)
SGL DR 07 – Location for service delivery options negatively impacting the Life Events services and City Office	<u>2017/18 audit</u> Life Events Income, Follow-up (Partial Assurance)
HASC DR 01 – Delivery of statutory services is impacted by a reduction in public sector funding and increasing demand and complexity	<u>2017/18 audit</u> Financial Pressures (Reasonable Assurance)
HASC DR 11 - Technology not in place to enable modern working and effectively delivery	<u>2017/18</u> CareFirst (Reasonable Assurance) <u>2015/16</u> CareFirst (Reasonable Assurance)

Good Governance Principle F: Managing risks and performance through robust internal control and strong financial management

Directorate Risk	Independent Assurances
NCH DR 02 – Lack of financial Stability to enable directorate service delivery	<u>2017/18</u> Financial Pressures (Reasonable Assurance)
EEC DR 03 - Directorate income and budget targets are not met	<u>2017/18</u> City Clean Expenditure - external contracts and commercial activities – (Minimal Assurance) <u>2015/16</u> Integrated Waste Management Contract (Substantial), Income Generation (EDH) – (Reasonable Assurance)
FCL DR 09 – Budget is unmanageable due to growing demands, market forces, and not able to effectively target those who might in the future meet the social care threshold	<u>2017/18</u> Financial Pressures (Reasonable Assurance) <u>2016/17</u> Budget Management (budget setting) (Reasonable Assurance) <u>2015/16</u> Budget Management (spend controls) (Substantial Assurance)
NCH DR 08 - Impact of Universal Credit on Housing Income & Homelessness Services	<u>2017/18</u> Welfare Reform (Substantial Assurance) <u>2016/17</u> No audits <u>2015/16</u> No audits

Good Governance Principle G: Implementing good practice in transparency, reporting and audit to deliver effective accountability

No Directorate risks were mapped to this principle



