

AUDIT COMMITTEE

Agenda Item 12

Brighton & Hove City Council

Subject:	Annual Governance Statement 2009/10		
Date of Meeting:	29th June 2010		
Report of:	Director of Finance & Resources		
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Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 The purpose of this report is to present the council's Annual Governance Statement 2009/10 for consideration and approval.
- 1.2 The Annual Governance Statement, provides a comprehensive assessment of the governance arrangements and the internal control environment across all activities of the council.
- 1.3 Once signed by the Leader and Chief Executive, the Annual Governance Statement will form part of the Statement of Accounts for 2009/0.

2. RECOMMENDATIONS:

The Committee is asked to:

- 2.1 Review the Annual Governance Statement and comment accordingly, in particular actions to address Governance Issues (Section 6).
- 2.2 To approve the Annual Governance Statement for publication with the Statement of Accounts.
- 2.3 To monitor actions for improvements with a further progress report coming to the December meeting.

3. BACKGROUND INFORMATION:

- 3.1 The Accounts and Audit (Amended) Regulations 2006 imposed a statutory requirement on all local authorities to conduct a review of the effectiveness of its governance arrangements and to publish the results in a Annual Governance Statement. The Annual Governance Statement is signed by the Leader and the Chief Executive.
- 3.2 The Annual Governance Statement must be prepared in accordance with the Accounts & Audit Regulations and the CIPFA/SOLACE framework *Delivering Good Governance in Local Government*.

4. REVIEW OF GOVERNANCE ARRANGEMENTS

- 4.1 The annual review of the effectiveness of the council's governance arrangements and preparation of the Annual Governance Statement has been carried out by the Head of Audit & Business Risk.
- 4.2 The council's effectiveness review is overseen by its Officers Governance Board comprising the Director of Strategy & Governance, Director of Finance & Resources, Head of Audit & Business Risk, Head of Legal Services, Head of Analysis and Research and Risk & Opportunity Manager.

5 ANNUAL GOVERNANCE STATEMENT (DRAFT)

- 5.1 The draft Annual Governance Statement for 2009/10 is shown at Appendix 1. It has been prepared generally in line with the CIPFA/SOLACE guidance and comprises the following sections:
- Section 1 – Standards of Governance
 - Section 2 – Scope of Responsibility
 - Section 3 – The Purpose of the Governance Framework
 - Section 4 - The Council's Governance Framework, i.e. description of the systems and processes that the council has in place to ensure good governance
 - Section 5 – Review of Effectiveness, i.e. the results/outcomes of the council's review processes
 - Section 6 – Governance Issues, i.e. details of any significant areas and/or other actions planned to further strengthen governance arrangements
- 5.2 Section 6 is considered to be the key section of the Annual Governance Statement and contains actions to a number of governance issues including two significant ones relating to HR/Payroll and Section 75 (Adults) Agreement with the Sussex Partnership Trust

5.3 Implementation of actions will be monitored by Audit & Business Risk and reported back the Officers' Governance Board and Audit Committee.

6. CONSULTATION

6.1 Internal consultation has been carried out with relevant officers and in particular the Officers Governance Board.

5. FINANCIAL & OTHER IMPLICATIONS:

5.1 Financial

Sound corporate governance and proper systems of internal control are essential to the financial health and reputation of the council. The actions outlined to strengthen the governance arrangements, can be delivered within existing financial resources.

Patrick Rice
Acting Assistant Director Financial Services

17th June 2010

5.2 Legal Implications:

The production of the statement meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (Amended 2006).

Oliver Dixon
Lawyer

16th June 2010

5.3 Equalities Implications:

There are no direct equalities implications arising directly from this report

5.4 Sustainability Implications:

There are no direct sustainability implications arising from this report.

5.5 Crime & Disorder Implications:

There no direct implications for the prevention of crime and disorder arising from this report.

5.6 Risk and Opportunity Management Implications:

The preparation of the Annual Governance Statement has been explicitly linked to the risk management framework of the City Council. One of three principles of good governance is "taking informed, transparent decisions and managing risk".

5.7 Corporate / Citywide Implications:

Robust corporate governance arrangements are essential to the sound management of the City Council and the achievement of its objectives as set out in the Corporate Plan.

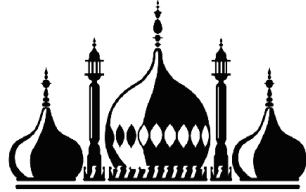
SUPPORTING DOCUMENTATION

Appendices:

1. Annual Governance Statement 2009/10

Background Documents

1. Brighton & Hove City Council's Code of Corporate Governance
2. CIPFA/SOLACE Delivering Good Governance in Local Government – (Framework 2007)
3. Delivering Good Governance in Local Government – Guidance notes for English Authorities (CIPFA/SOLACE 2007)
4. Accounts & Audit Regulations 2003 (Amended 2006)
5. The Annual Governance Statement (CIPFA Finance Advisory Network)



**Brighton & Hove
City Council**

**DRAFT ANNUAL GOVERNANCE
STATEMENT 2009/10**

Draft Annual Governance Statement 2009/10

1. Standards of Governance

Brighton & Hove City Council (the council) expects all of its members, officers and contractors to adhere to the highest standards of public service with particular reference to the formally adopted Constitution, Codes of Conduct and policies of the council as well as the applicable statutory requirements.

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 is available in the council's constitution and on the council's website www.brighton-hove.gov.uk.

This statement explains how the council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2003 as amended by the Accounts and Audit Regulations 2006 (Amendment) (England) in relation to the publication of a statement on internal control.

2. Scope of Responsibility

The council is responsible for ensuring that its business is conducted in accordance with the law and proper practice 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 efficiency, effectiveness and economy.

In discharging this accountability, the council is responsible for putting in place and maintaining, proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The council continues to review its arrangements against best practice and implement changes to improve its governance arrangements.

3. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the council is directed and controlled and its activities through which it is accountable to, engages with, and leads the community. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

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 failure to achieve policies, aims and objectives and can therefore only provide reasonable and not 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.

4. The Council's Governance Framework

The governance framework has been in place at the council for the year ended 31st March 2010, up to the date of approval of the Statement of Accounts and accords with proper practice.

The key elements of the systems and processes that comprise the council's governance arrangements are shown below along with explanations of how they are embedded.

Identifying and communicating the council's vision

The council played a leading role in the creation and development of the 2020 Community Partnership, and has developed, together with our partners, an important part of its governance arrangements, Sustainable Community Strategy for the City, "Creating the City of Opportunities". This has recently been refreshed to ensure it reflects changes and maintain effectiveness.

The vision is for Brighton & Hove to be the City of Opportunity. It is a city where opportunities are provided for our residents to improve their lives. It is a place that provides these opportunities in a sustainable and inclusive way that reduces inequality and protects the environment.

The Sustainable Community Strategy sets the direction and policies which other plans should help to deliver and has been agreed by the council and Local Strategic Partnership in consultation with other stakeholders who have an interest in effective public services in the City. It is used as a basis for both corporate and service planning and integrated with the Local Area Agreement, a three year multi-agency delivery plan for the City's priorities.

The Sustainable Community Strategy and Corporate Plan are published on the council's website and copies are available at certain key access points across the City (e.g. libraries).

Reviewing the council's vision and its governance implications

Since the publication of the Sustainable Community Strategy in 2006, the council's governance arrangements have been subject to ongoing review to meet the changing needs of the council. During 2009/10 a 12 month review was carried out on the Council's Constitution and made a number of proposals for amendment.

The Council's Code of Corporate Governance is considered still to be current and complies with the principles and requirements of good governance.

Measuring the council's performance and quality of services ensuring they represent the best use of resources

The council uses a variety of mechanisms within its overall approach to performance management and service improvement to measure quality of service to users, ensuring service delivery is in accordance with its objectives, and for ensuring the best use of resources. These include national and local performance indicators, customer feedback, process analysis and re-engineering, service reviews, integrated financial management, benchmarking and independent audit and inspection.

Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. The performance management framework is based on a hierarchy of indicators, both national and local. Performance data for all national and local indicators is collected and reported to the Chief Officers' Management Team (TMT) and the Executive (Cabinet) on a quarterly basis.

The council's Corporate Plan includes clear performance targets for the next three years. The council's Performance Plan shows the council's performance against targets for the past three years and is available on its website.

At a directorate level, directorate plans form the basis of monitoring. This ensures that performance, budget, risk and project delivery issues are all managed and reported.

Defining roles and responsibilities, delegation and arrangements for effective communication of these

The council has agreed a constitution which sets out how the council operates, member and officers roles, how decisions are made and the processes which are followed to ensure these are efficient, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined

others locally. The Constitution is divided into seventeen articles that set out the basic rules governing the council business.

Under the Constitution the Leader and Cabinet form the decision making Executive. Decisions must be in line with the council's overall policy and budgetary framework approved by the full council for delivering its priorities. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide.

There is also an Overview and Scrutiny Commission and five scrutiny committees that support the work of the Executive, through scrutinising decisions made by the Executive and through examining services provided by the council. During 2009/10 an enhanced role for Scrutiny was introduced in the Budget Management process.

The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Director of Strategy & Governance) and Section 151 Officer (Director of Finance & Resources). It also includes the Member and Officer Protocol, which sets out the principles and procedures to guide officers and members.

There is effective corporate and departmental support to members in policy and decision making, with report templates to help ensure members are presented with appropriate information to make decisions including key implications, for example finance, legal, equalities and risk.

Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and officers

The council has adopted a number of codes and protocols that govern the standards of behaviour expected of members and officers. These are communicated as part of the induction process, ongoing awareness training and made available via the council's intranet. These include codes of conduct covering conflicts of interest and gifts and hospitality.

The Standards Committee role is to promote high standards of conduct and ethical governance as well as investigating complaints regarding members. It considers reports and advice from the Standards Board for England and considers reports from the Monitoring Officer.

Reviewing and updating control framework documentation which clearly define how decisions are taken and the processes and controls required to manage risks

The council's high-level policies and procedures are updated and regularly communicated to officers and members. There are corporate policies on key topics

including Business Planning, Information Security, Freedom of Information Act, Environmental Sustainability, Counter Fraud & Corruption, Equalities & Diversity and Health & Safety.

The Director of Strategy & Governance (the Monitoring Officer) reviews and updates the Constitution which includes standing orders and the scheme of delegation.

The Director of Finance & Resources (the Section 151 Officer) likewise reviews and updates financial regulations and contract standing orders, which form part of the Constitution.

Risk and opportunity management is embedded throughout the council and its partnership working arrangements. The council's Risk and Opportunity Management Strategy was updated during the past year. The strategy explains how the council will manage its risks, and is supported by training and guidance. It is overseen by the Officers' Governance Board and approved by the Executive.

Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities

The Audit Committee (previously Audit Panel) has been in operation since May 2008 and is now embedded as part of the council's overall governance framework. Its terms of reference incorporate the core functions as identified in the CIPFA guidance. It is responsible for issues relating to the councils system of internal control, risk management, financial reporting and counter fraud as well as providing a forum for reporting and discussion of issues raised by internal and external audit.

Ensuring compliance with established policies, procedures, laws and regulations

All officers have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided to officers as necessary and appropriate induction sessions are carried out for new staff.

The Director of Strategy & Governance (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration.

The Director of Finance & Resources (as Section 151 Officer) has overall statutory responsibility for the proper administration of the council's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

This is supported by a framework of management documents, including financial regulations, contract rules and a scheme of delegation to officers, which collectively

control and co-ordinate the financial affairs of the council. These are all in place and available to staff on the Intranet and in paper format. Induction and ongoing awareness training is provided to staff.

The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010).

Audit & Business Risk are responsible for conducting audits, using a risk based approach to provide assurance on compliance with council policy, procedures, legal rules and regulations.

Whistleblowing and receiving complaints from the public

The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy aims to encourage officers, contractors and agency workers to report any instances of unlawful conduct, health and safety risks, damage to the environment, possible fraud and irregularities and unauthorised use of council funds. The Policy is widely published on posters, internal newsletters the councils internet and website, and provides the mechanisms to raise concerns and receive appropriate feedback without the fear of victimisation. All concerns raised under the Whistleblowing Policy are recorded by the Director of Strategy & Governance.

To ensure that concerns or complaints from the public can be raised, the council has a corporate complaints policy which sets out how complaints can be made, what should be expected and how to appeal. The application of the policy is overseen by the council's Standards Committee.

Developing the needs of members and senior officers in relation to their strategic roles

The council maintains the Investors in People (IIP) accreditation (corporate) and is committed to developing the capacity of its officers and members. The council's Performance Development and Planning Scheme aims to identify the learning and development needs of officers and this is supported by the council.

A complete programme of learning and development is available to officers and members from the Learning and Development Team. Where applicable, officers are also expected to undertake continuing professional development (CPD) of their professions. There are corporate induction processes for both members and officers starting with the council.

During the year the Audit Commission reported on their Good Governance Review. The majority of recommendations made have been implemented and the remaining ones are in progress.

The council has a generic programme of training and development for members based in part on a self-assessment of needs against the Improvement and Development Agency (IDeA) Political Skills Framework. There is further more specific training for those with lead roles in, for example, the Executive and Scrutiny functions.

Establishing clear channels of communication with the community and other stakeholders

Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council's publication City News is distributed to all residents as well being available on the council's website and at key access points across the City. It includes news and features about the council and its partners that assists in consulting residents on issues facing the city. In addition, the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.

There are a wide range of access channels and opportunities for all parts of the community and key stakeholders to engage in dialogue and consultation. This includes tenants and residents forums through consultation events and surveys.

The council's Corporate Plan, Annual Statement of Accounts and Annual Report are again made available via the council's website and distributed to certain key points across the City, ensuring that residents have numerous access channels.

All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings, which are held in public unless there are good reasons for confidentiality.

During 2009/10 to strengthen local democracy, the Get Involved local democracy and citizens campaign was launched. This was driven by a new legislative requirement to involve the public and promote local democracy.

Incorporating good governance arrangements in respect of partnerships and reflecting these in the authority's overall governance arrangements

The governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report *Governing Partnerships: Bridging the Accountability Gap (2005)*, are defined in the council's Financial Regulations. The council is currently working with significant partnerships for example the Children and Young People's Trust, in terms of helping to achieve its objectives through ensuring appropriate agreements and robust governance arrangement are in place. Regular audit reviews are carried out on the overall governance arrangement within the council's key partnerships.

The City's Local Strategic Partnership (LSP) is managed by a board and the council is the lead agency for the LSP. The council has distributed, a "2020 Community Member Pack" to LSP board members which includes governance responsibilities.

5. Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Officers, Governance Board oversees the review of effectiveness including monitoring actions arising.

The process that has been applied in maintaining and reviewing the effectiveness of the governance framework includes the following:

- Review and maintenance of the Constitution by the Monitoring Officer.
- An assessment of the corporate governance arrangements against the CIPFA/SOLACE Framework for Good Governance, which helped develop the council's Code of Corporate Governance.
- The council's internal audit coverage which is planned using a risk based approach and flexible enough to include emerging issues and risks. The Annual Internal Audit Report by the Head of Audit & Business Risk provides an overall opinion on the adequacy of the council's internal control environment and areas of weakness to be addressed
- The assurance of senior managers through the development of corporate and directorate risk registers.
- Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted.
- The review of performance management and financial reporting.

6. Governance Issues

The annual effectiveness review of governance arrangements referred to in Section 5 identifies a number of issues that require actions for improvement.

In considering the governance issues contained in the Annual Governance Statement for 2008/09, the following enhancements have been achieved during 2009/10:

- Review and update of the Medium Term Financial Strategy

- Developed a programme to ensure the council meets the deadline for producing accounts that are compliant with the International Financial Reporting Standards (IFRS)
- Updated and enhanced the council's Whistleblowing Policy and Process
- Introduced an Annual Report process from the Audit Committee
- Reviewed and updated Section 75 Agreements in relation to Children's Services
- Improved access to tools and training for financial management
- High level business plan and programme in place for the council's Value of Money Programme Phase 2
- Improvements to the scrutiny process including developing required skills of officers and Members and the role of scrutiny in providing proactive review and challenge

In addition to the above, a number of actions referred to in the Annual Governance Statement for 2008/09 for the year 2009/10, remain in progress and are subject to detailed plans. The first two actions have also been raised again in the effectiveness review for 2009/10 and are now considered to be significant

- Improved system processes and controls for HR/Payroll including those associated with the implementation of a new HR/Payroll Computer System, for the effective management of the council's workforce
- Implement a formal Section 75 partnership agreement with the Sussex Partnership Trust (adults) for 2010/11 to mitigate risk to the council and to seek a longer term strategic solution
- Full fraud risk analysis and measurement review
- Review of the role and effectiveness of the Audit Committee in the governance of the council

New actions have been identified to improve the governance arrangements, from the effectiveness review and detailed action plans developed.

In addition there are fundamental changes required to the council's governance framework as a result of expected significant national legislative changes, national and local financial budget constraints and a move to a new operating model for the council. Certain actions have been recognised and included at this stage.

- Refresh of the council's performance management framework
- Review and update the council's constitution and all related documents to reflect planned organisational changes
- Review and implement specific training and learning objectives for officers and Members
- Improvement to procurement and contract management arrangements

All new and actions in progress will be monitored by the Officers' Governance Board and Audit Committee during 2010/11.

We are satisfied that the actions required, when fully completed will address the need for improvements that were identified in the review of effectiveness. We will monitor their implementation and operation as part of the next annual review

Signed

Signed

**John Barradell
Chief Executive**

**Councillor Mary Mears
Leader of the COUNCIL**

Dated:

Dated:

