



Annual Governance Statement 2010/11

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Scope of Responsibility

1. Brighton & Hove City Council (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.
2. 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.
3. The council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE framework *Delivering Good Governance in Local Government* and is included in the Constitution of the council.
4. The Annual Governance Statement explains how the council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts & Audit Regulations 2011 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

5. Governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, open, honest and accountable manner.
6. 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.
7. The governance framework is designed to manage risk to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

8. During the year there have been radical changes to audit and inspection regimes. During 2010/11 the Comprehensive Area Assessment of local authorities, the National Performance Framework and associated National Indicators Set have been dismantled with the Audit Commission soon to be abolished. A guiding principle is that services should be held to account by their users and local authorities by their residents, rather than central government.

The Governance Framework

9. The governance framework has been in place at the council for the year ended 31st March 2011, up to the date of approval of the Statement of Accounts. The council is committed to fulfilling its responsibilities in accordance with the highest level of good governance in order to become a council the City deserves.
10. Maintaining the governance framework is an on-going process, and one to which the council is committed in order to ensure continual improvement and organisational learning.
11. 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.

The council's vision and purpose and intended outcomes for its citizens and service users:

12. The council played a leading role in the creation and development of the 2020 Community Partnership, and developed, together with our partners, an important part of its governance arrangements, Sustainable Community Strategy for the City, "Creating the City of Opportunities". This is regularly reviewed and refreshed to ensure it reflects changes and to maintain effectiveness.
13. The Corporate Plan 2008-11 provides a high level, strategic view of the council's priorities and is an essential part of the council's policy and planning framework. For 2010/11 it linked the Local Area Agreement and Community Strategy to the council's business and service plans and therefore ensures the day to day work of the council is focussed on its priorities. The Local Area Agreement ceased at the end of March 2011.
14. During 2010/11 the Brighton & Hove Strategic Partnership developed and introduced an action plan to support the Community Engagement Framework for the City. This sets out the strategic aims and guiding principles for community engagement within Brighton & Hove and priority actions that need to be taken to improve practice. The framework aims to achieve:
 - Investment in the development of people in both communities and organisations;

- Improvements in information and communication, particularly providing feedback;
- Better co-ordination and use of resources;
- Long-term, resourced, commitment to improving community engagement;
- Creation of opportunities to influence the outcome of decisions and tackle issues in communities; and
- Developing more creative ways to engage with people and communities that ensure everyone has a voice not just those that 'know how'.

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15. In order to focus more on the needs of residents in an environment of financial constraints, the council commenced introducing an 'intelligent commissioning' operating model in 2010/11 for better decision making.
16. During the year, the council commenced profiling Brighton & Hove, providing a snapshot in terms of its characteristics and key issues to be used for creating shared priorities and for decision making in commissioning. The resulted will be reported in June 2011, 'State of the City Report'.

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

17. 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, resident's perceptions, measurable improvements in value for money, benchmarking, identification and management of key risks. These are being incorporated into the council's new Performance and Risk Management Framework.
18. Performance management processes are embedded throughout the council and regularly reported in accordance with agreed timescales. Quarterly reports were made through the year to the Strategic Leadership Board, Cabinet and Overview & Scrutiny Commission, based on a hierarchy of indicators both local and national.
19. The council's Corporate Plan 2008-11 includes clear performance targets for the three years. The council's Performance Plan shows the council's performance against targets for the past three years.

Defining roles, responsibilities and behaviour

20. To ensure effective leadership throughout the council, members and officers work together to deliver a common purpose with clearly defined functions and roles. The Constitution includes the roles and responsibilities of the Executive, Committees, full Council and Chief Officers and the rules under which they operate. In particular how decisions are made and how procedures are to be followed to ensure that actions are efficient, legal, transparent and accountable to the community. Many of these processes are required by statute, while the council has determined others locally. The Monitoring Officer provides advice on the interpretation and application of the Constitution.
21. Executive decisions are made by the Executive Body being the Leader and Cabinet, within the overall policy and budgetary framework approved by full council. Any decisions the Executive wishes to take outside of the framework must be referred to the full council to decide. Scrutiny committees monitor the work of the Executive Body.
22. The Officers Strategic Leadership Board (SLB), including the Director of Finance, supports Members in the policy and decision making process.
23. The council introduced a major restructure during the year to support intelligent commissioning model, moving away from traditional directorate to commissioning and delivery units. **Intelligent commissioning is about changing the way the council works with its partners in the public, private and voluntary sector to create services that focus on the needs of our residents**
24. The Constitution describes the roles of statutory officers: the Head of Paid Service (Chief Executive), the Monitoring Officer (Head of Law & Democratic Services) and Section 151 Officer (Director of Finance). It also includes the Member and Officer Protocol, which sets out the principles and procedures as guidance.
25. 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.
26. The Standards Committee remit includes promoting and maintaining high standards of conduct and ethical governance. In response to the Localism Bill, the council is giving consideration to what arrangements it may take in the future to manage conduct.

The council's control framework, risk management and audit committee:

27. The council's high-level policies and procedures are updated and regularly communicated to officers and members.
28. The principle documents include the Financial Regulations and Contract Standing Orders both of which were reviewed and updated during the year. There are other corporate policies on key governance topics, including Business Planning, Counter Fraud, Information Security, Equalities & Diversity, Health & Safety and Whistleblowing.
29. Risk management is embedded throughout the council and in its partnership working arrangements. The council's Risk Management Strategy is refreshed annually and shows the alignment of strategic risks and priorities.
30. The Audit Committee is independent of the executive and scrutiny functions and now embedded as a key part of the council's overall governance framework. Its terms of reference are aligned to CIPFA's best practice standards for Audit Committees. The membership is politically proportionate and the Chairman is an opposition Member.

Ensuring compliance with established policies, procedures, laws and regulations:

31. All officers of the council have a responsibility to ensure compliance with established policies, procedures, laws and regulations. Training and awareness sessions are provided as necessary and appropriate induction sessions are carried out.
32. Compliance assessments are carried out by management, auditors and through the work of statutory inspectors, including the Care Quality Commission and Ofsted. During 2010/11 an Ofsted Inspection of Safeguarding (children and young people) found the council has a good capacity to improve (2nd highest score) and that safeguarding arrangements are good.
33. The Head of Law & Democratic Services (the Monitoring Officer) has overall responsibility for ensuring the council acts lawfully and without maladministration. This includes reporting on any proposal, decision or omission by the council likely to contravene any enactment or rule of law or any maladministration. No such reports were necessary during 2010/11.
34. The Director of Finance (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. No reports were made during 2010/11 on any case of unlawful expenditure, loss or deficiency.

Economic, effective and efficient use of resources

35. As part of the council's transformation agenda, the council has four year Value for Money Programme the main objective of which is to make financial savings. Other objectives include delivering services in new and better ways to increase user satisfaction.
36. Actual value for money savings achieved under the Programme for 2010/11 was £4.3M exceeding its planned target of £2.8M. Phase 2 of the Programme commenced during the year and contains six major projects:
 - Adult Services;
 - Children and Young Peoples Services;
 - ICT;
 - Work styles;
 - Procurement; and
 - Sustainable Transport.
37. To improve management of resources, there has been significant investment by the council in information systems. During 2010/11 a new Human Resources Management system was implemented to improvement the management of its workforce.

Financial Management and Reporting

38. The council's Medium Term Financial Strategy (MTFS) is a complementary document to the Corporate Plan and is updated at least annually. It includes a Revenue Budget Strategy with a focus on improving value for money, a Capital Strategy, Housing Revenue Account position and a detailed financial risk assessment on the major areas of uncertainty.
39. CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the five principles that define the core activities and behaviours of the Chief Financial Officer. We confirm that the council's financial management arrangements conform to governance requirements of the Statement. The Director of Finance has the role of Chief Finance Officer.
40. The accession of the new coalition government in May 2010 signalled the start of a programme of significant changes in local authorities. The challenge of delivering services with the reduced budget allocation from the Government confirmed in October's Comprehensive Spending Review, was planned for in advance although the actual amount was higher than expected.

41. Local authorities are being required to publish more information on spending to enable local residents to hold the council to account as part of the Transparency Agenda. A new requirement was introduced during 2010/11 and the council now publishes all payments to suppliers of over £500.

Whistleblowing and receiving complaints from the public

42. The council is committed to the highest possible standards of openness, probity and accountability. The council's Whistleblowing Policy for raising a confidential concern 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 available on the council's 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 Head of Audit & Business Risk and investigated.
43. 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 roles and needs of officers and Members

44. 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.
45. 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 including governance for both members and officers starting with the council.
46. 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

47. The Community Engagement Framework for the city introduced in 2010/11 by the Brighton & Hove Strategic Partnership, aimed to improve the ways in which citizens and communities can influence and shape services through improved communication.
48. Clear channels of communication have been established with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation. The council publication City News is distributed quarterly to nearly 100,000 homes across the City and also available on the council's website and at key access points across the City.
49. It includes news and features about the council and its partners that helps to inform residents on issues facing the city before decisions are made. In addition, the Council Tax leaflet, containing details of the council's budget, is distributed annually with Council Tax bills.
50. 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.
51. 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.
52. All meeting agendas and reports for consideration by members are published on the council's website in advance of meetings and hard copies are available from Kings House, Brighton Town Hall and Hove Town Hall. All meetings are held in public unless there are good reasons for confidentiality and certain ones are webcast live and archived on the council's website. A number of meetings are also web-cast providing a further channel of access demonstrating openness and transparency of decision making.

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

53. 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. During 2010/11 the council worked 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.

54. 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.
55. Agreements have been developed between the 2020 Community Partnership and the other members of the family of partnerships to bring a focus on service delivery. The council's Overview and Scrutiny Commission provides an independent role in examining service delivery.
56. The Public Services Board is accountable to the LSP and is chaired by the council's Leader. This has a role in the City's leadership ensuring the quality and effectiveness of public service in the City.

Review of Effectiveness

57. 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.
58. The process that has been applied in maintaining and reviewing the effectiveness of the governance framework 2010/11 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 provision of internal audit including 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 council's counter fraud arrangements including strategy, programme of reactive and proactive work;
 - The assurance of senior managers through the development of strategic and operational (service level) risk registers;
 - Findings and comments made by the External Auditors and other review agencies and inspectorates such as the Care Quality Commission and Ofsted; and

- The review of performance management and financial reporting.

Governance Issues

59. The annual effectiveness review of governance arrangements referred to above identifies a number of issues that require actions for improvement.
60. In considering the governance issues contained in the Annual Governance Statement for 2009/10, the following enhancements have **been achieved** during 2010/11:
- Carry out a comprehensive Fraud Risk Analysis and Measurement review;
 - Reviewed and updated the council's constitution and related documents to reflect organisational changes; and
 - Reviewed the council's performance management framework.
61. In addition to the above, a number of actions referred to in the Annual Governance Statement for 2009/10 for the year 2010/11, are ongoing supported by detailed plans and timetables:
- 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
 - A more centralised and compliance approach to procurement and contract management including category management and contract management information system;
 - Update the Corporate Plan to reflect council priorities and the change in the council structure
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62. In response to the significant financial challenges facing the council, **new actions** have been identified to improve the governance arrangements, from the effectiveness review and detailed action plans developed.
63. Fundamental changes will be required to the council's governance framework as a result of financial constraints and a move to the new intelligent commissioning operating model. Actions include:
- Implement a new Performance and Risk Management Framework that will include regular 'Organisational Health Reports';
 - Implement a new Business Planning process and use of dedicated software;
 - Introduce a new People Strategy for effective workforce planning;
 - Review longer terms changes to partnership with Health in particular structures and processes and revising Section 75 agreements;
 - Introduce a new Corporate Plan and Medium Term Financial Strategy for new priorities and response to financial pressures;
 - Implement a new approach to budget consultation and engagement;

- Respond to challenges and opportunities from the Localism Bill currently going through Parliament, including standards of conduct; and
 - Embedding risk management software for effective recording and reporting of strategic and operating risk including partnership.
64. All new and actions in progress will be monitored by the Officers' Governance Board and Audit Committee during 2011/12.
65. 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 Bill Randall
Leader of the Council**

Dated:

Dated: